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# ***JPRS Report***

## **China**

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# China

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## CONTENTS

18 APRIL 1990

### INTERNATIONAL

#### GENERAL

Article Views Environmental Problems <i>[LIAOWANG No 11]</i> .....	1
Trends in Asian-Pacific Economies in 1990's Discussed <i>[Hong Kong LIAOWANG OVERSEAS EDITION No 5]</i> .....	1

#### EAST EUROPE

Political Turmoil in Bulgaria Detailed <i>[SHIJIE ZHISHI No 2]</i> .....	4
Changes in Romanian Political Scene Examined <i>[SHIJIE ZHISHI No 3]</i> .....	6

### POLITICAL

Marxism Affirmed as Solid Base for Socialist Nation <i>[MAKESIZHUYI YANJIU No 4]</i> .....	8
Renewed Student Interest in Mao Zedong Analyzed <i>[DAXUESHENG No 1]</i> .....	13
Ge Yang Discusses Rise, Fall of CPC <i>[Hong Kong PAI HSING No 209]</i> .....	15
Suppressed Opinion Poll, Other News From Mainland <i>[Hong Kong CHING PAO No 151]</i> .....	17
After Martial Law, Outward Calm Masks Inner Tension <i>[Hong Kong CHING PAO No 151]</i> .....	18

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

State-Owned Assets Suffer Serious Losses <i>[JINGJI RIBAO 21 Feb]</i> .....	21
Policies of Stability Urged To Control Economic Cycles <i>[JINGJI RIBAO 23 Feb]</i> .....	22
Economists Discuss Trends for 1990's [Part One of Four] <i>[Hong Kong CHING-CHI TAO-PAO No 1, 2]</i> .....	23
Economists Discuss Trends for 1990's [Part Two of Four] <i>[Hong Kong CHING-CHI TAO-PAO No 3]</i> .....	29

#### MINERAL RESOURCES

Nonferrous Metal Resources Discussed <i>[JINGJI RIBAO 26 Feb]</i> .....	36
---	----

#### FOREIGN TRADE, INVESTMENT

Nonferrous Metals Export Earnings Exceed \$1 Billion <i>[GUOJI SHANGBAO 20 Feb]</i> .....	37
Guangdong Asks For Removal of Obstacles Impeding Exports <i>[NANFANG RIBAO 27 Mar]</i> .....	37
Jilin Governor Announces Measures To Stabilize Export Growth <i>[GUOJI SHANGBAO 27 Feb]</i> ..	38
Increased Machinery, Electronics Exports Needed <i>[GUOJI SHANGBAO 27 Feb]</i> .....	39
Trade Prospects With Integrated EEC Viewed <i>[GUOJI SHANGBAO 17 Mar]</i> .....	39
Shanghai's Export Labor Earnings Reach \$9 Million <i>[WEN HUI BAO 18 Feb]</i> .....	41
Steps To Ease Fund Shortages Among Foreign Trade Enterprises <i>[GUOJI SHANGBAO 3 Feb]</i> ....	41
200 Million Kroner Contract for Norwegian Firm <i>[Oslo AFTENPOSTEN 29 Mar]</i> .....	41

## POPULATION

Population Burden Hindering Economic Structural Reform [ZHONGGUO RENKOU BAO 16 Feb]	42
Family Planning in Mountain Regions, Problems, Solutions [ZHONGGUO RENKOU BAO 16 Feb]	44

## AGRICULTURE

Forecast of Grain Policies [ZHONGGUO NONGCUN JINGJI No 12]	46
Ministry Says Rubber Output Increases [XINHUA]	53
Statistics Indicate Farmers' Cash Income Up [XINHUA]	53
Bacteria Used To Increase Rice Yield [XINHUA]	53
Heilongjiang Begins Wheat Sowing [Harbin Radio]	53
Technology Brings Rice Planting to Heilongjiang [XINHUA]	54
Liaoning Peasant Income [LIAONING JINGJI BAO 24 Feb]	54
Shandong Crop Area [NONGYE JINGJI WENTI No 3]	54
Shanxi Cotton Area [SHANXI RIBAO 4 Mar]	54

## REGIONAL

### CENTRAL-SOUTH REGION

NPC Deputies Trained To Elect Public Officials [LINGDAO KEXUE No 12]	55
Guangdong's Xie Fei Discusses Ideological Problems [WENMING DAOBAO No 1]	57
Propaganda Chief Outlines Guangdong Literature Tasks [NANFANG RIBAO 17 Feb]	59
Reforms Raise Cadre Productivity in Guangdong County [NANFANG RIBAO 17 Feb]	61
Guangdong Urges Cadres To Study Marxist Philosophy [NANFANG RIBAO 17 Feb]	61

### NORTHEAST REGION

Strategy for Eliminating '6 Vices' in Liaoning [LILUN SHIJIAN No 2]	62
Liaoning Acts To Instill Lei Feng Spirit	65
Youth Activity Held [LIAONING RIBAO 17 Feb]	65
Relevance for Today Argued [LIAONING RIBAO 15 Feb]	66

### NORTHWEST REGION

Gansu Holds Conference on Elimination of '6 Vices' [GANSU RIBAO 24 Feb]	69
---	----

## PRC MEDIA ON TAIWAN AFFAIRS

LIAOWANG Details Extent of Taiwan Investment in Fujian [LIAOWANG 19 Feb]	71
--	----

## TAIWAN

Finance Industry Progresses Toward Privatization [Hong Kong CHING-PAO No 1]	74
Analysis of Li-Hau Political Struggle [Hong Kong CHIUSHIH NIENTAI No 241]	76
Editorial Urges Expansion of Trade With Eastern Europe [CHING-CHI JIH-PAO 12 Feb]	78
Editorial on Foreign Currency Assets [CHING-CHI JIH-PAO 13 Feb]	79

## HONG KONG, MACAO

In Defense of Post-1997 Political System [MING PAO 19 Feb]	81
Drafter Discusses Basic Law's Economic Provisions [TA KUNG PAO 24 Feb]	82
Discussion of Qualities Needed by SAR Chief Executive [MING PAO 28 Feb]	84

GENERAL

Article Views Environmental Problems

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[Editorial Report] The Chinese-language Beijing journal LIAOWANG [OUTLOOK] carried an article in which State Environmental Protection Bureau Director Qu Geping discussed global environmental problems and China's environmental protection efforts. The article appeared in issue 11, dated 12 March on pages 40-41.

Qu discussed the following global environmental problems: loss of arable land, lack of water resources, reduction in the world's forests, endangerment and extinction of flora and fauna, pollution, acid rain, reduction in the ozone layer, and the greenhouse effect. Qu notes that the consequences of desertification are particularly damaging to developing countries and that scarcity in water resources can be attributed to uneven global distribution as well as to pollution.

Qu says that environmental problems may be analyzed as being of two types. One type has been created by overly rapid economic growth, lopsided industrial development, and the lack of technology sophisticated enough to control pollution. A second type has been created by underdeveloped countries which have, under the pressure of growing populations, wreaked ecological damage in their "predatory" development of environmental resources. Qu believes that the way to solve the first type of problem is to improve pollution control by means of worldwide scientific and technological development and the efficient use of material and resources, while the way to solve the second type of problem is for developing countries to develop quickly so that their living standards will be improved and they can stop relying so heavily and directly on the environment. Qu notes that both solutions require economic coordination, sustained and steady economic growth, and sufficient economic might. Qu thus sees economic growth as key to solving environmental problems.

At the same time, Qu says, economic development must include protection of the environment and improvement of the quality of life. He says that the pace, objectives and efficacy of economic development must be pursued in tandem with economic, social, and environmental benefits. This, says Qu, is the guiding philosophy, not only of economic development, but also of environmental protection. Sole pursuit of economic development will not only result in failure to solve existing environmental problems, but will also create new ones.

The following factors, notes Qu, also have a strong impact on the environment: population growth rate, national economic conditions, the technological gap between countries, and whether resource development and exploitation is rational. Thus, says Qu, the solution

to environmental problems involves adjustments in economics and in society's development order. He says that developing countries need to pay particular attention to this.

Qu blames the advanced industrialized countries for causing the existing environmental problems, saying that the problems have resulted primarily from the longtime pollution of the developed countries. Thus, he says, the developed countries should assume more of the burden for solving global environmental problems and provide more economic and technological assistance to developing countries to help them solve their environmental difficulties.

Qu says that China also faces severe environmental problems and is doing the following by way of environmental protection: it is coordinating the development of its economy, urban and rural areas, and environment; its policy is to prevent and repair environmental damage in the course of development; it requires polluters to clean up their pollution and developers to protect the environment; it recently formulated an environmental protection responsibility system, a system for the comprehensive control and quantitative monitoring of pollution in urban areas, a permit system for the release of pollutants, a policy for central control of pollution, and a deadline by which regions, industries, and major polluters must clean up their pollution. Says Qu, these measures not only serve to solve China's environmental problems, but also contribute to solving the global problems as well.

Trends in Asian-Pacific Economies in 1990's  
Discussed

90ON0365A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese  
No 5, 29 Jan 90 pp 28-29

[Article by Shi Min (0670 2404): "Looking Ahead to the Political and Economic Situation for the Asian-Pacific Region During the 1990's"]

[Text] The sudden rise of the Asian-Pacific region is undoubtedly one of the most important world events to take place during the last half of this century. Furthermore, the last 10 years of this century will be an important period for determining world trends for the 21st century. At this important point in time, as we prepare to step into the next 10-year period, looking ahead to the basic trends in political and economic development of the Asian-Pacific region has become a popular topic. This article will briefly relate the basic trends regarding the following areas.

Detente Will Become the Major Characteristic of the  
Asian-Pacific Region's Political Situation During the  
1990's

Under the backdrop of improving dialogue and reduced confrontation between the United States and the Soviet

Union and with the world political situation tending more toward detente, confrontation between the two superpowers in the Asian-Pacific region has also showed signs of relaxation. Even though a strategic confrontation still exists between the United States and the Soviet Union, both countries are now putting emphasis on using political and diplomatic means to expand their influence and weaken the other. Along with this, the normalization of Sino-Soviet relations brought about by Gorbachev's visit to Beijing in May 1989 will have an extremely important effect on the political situation of the world and especially the Asian-Pacific region.

With the overall political situation being influenced by detente, the situation of some "hot spots" in Asian-Pacific regional conflicts have also experienced positive changes, and hope for a political settlement of these conflicts has emerged. The first of these is the Soviet troop withdrawal from Afghanistan. Although the Soviet Union is still supporting the Kabul regime with arms and by other means, and the Afghanistan guerrilla resistance force is still fighting with Kabul government troops, the Soviet troop withdrawal from Afghanistan has created the preconditions for a political settlement of the Afghanistan question.

The second situation is that, although Vietnam still has a way to go in withdrawing all its troops from Cambodia, some clear differences remain among the concerned parties regarding the formation of the new Cambodian Government, and the danger of a civil war still exists, the international community and especially the majority of countries in the Asian-Pacific region are maintaining the position that there should be international supervision, are urging Vietnam to withdraw all its troops from Cambodia, and are supporting the formation of a coalition government headed by Prince Sihanouk so that peace and neutrality can be maintained in Cambodia. Looking at the overall situation, the impetus for a political settlement of the Cambodian question is increasing. Settlement of the Cambodian question would help the hope that a relatively peaceful situation will emerge in Indochina not seen since the end of World War II.

There have also been changes in the situation on the Korean peninsula. In the last few years, and especially since 1988, there has been a better atmosphere in the dialogue between North and South Korea, with progress even being made on some of their problems, this has changed the state of intense confrontation that formerly existed between North and South Korea. Even though talks between the two sides are sometimes on and sometimes off, as long as they both maintain a positive desire to achieve detente through dialogue, progress will be made. This will not only benefit the peace and stability of the Korean peninsula, it will also benefit peace in Northeast Asia and promote economic cooperation within the area.

There are several other positive factors that exist in the political situation of the Asian-Pacific region. For

example, improved relations between India and Pakistan, better relations between China and India, and negotiations being held between China and Indonesia to restore foreign relations that have been severed for over 20 years. It can be predicted that the 1990's will be the most peaceful period in the Asian-Pacific region since World War II. However, this is not to say that at the present time the Asian-Pacific region is calm and tranquil and all is well. Not only are there some disputes left over from the period of imperialism and colonial rule that have not been fully resolved, but also the two superpowers, the United States and the Soviet Union, will continue to meddle in controversial issues of the region. An unstable political situation exists in some countries, plus there could be a flare-up of formerly resolved disputes or of latent factors in conflicts.

#### **The Economy of the Asian-Pacific Region Will Continue To Be One of the World's Most Vital**

1. Japan's economic development rate will continue to outpace that of other developed countries, and it will play an even more important role in the supply of funds and technology, and in absorbing the products of this area.

During the past 30 years, Japan's economic growth rate has been far ahead of other countries. Its economic growth rate was 5.7 percent for 1988 and its gross national product [GNP] is now equal to 55 percent of that of the United States, and its per capita output value has already surpassed that of the United States. Japan's economy has also made good progress in the aspect of shifting from being export dominant to being domestic demand-led. In the last few years, following a rise in the value of the yen and increases in domestic labor costs, Japan has increased investment and moved some of its industry to foreign countries while increasing imports of semifinished and finished products. For several consecutive years, Japan's import growth has been much higher than its growth in exports. The fastest growth has been in the imports from the "four little dragons" and ASEAN. Because U.S. exports have grown at a faster rate than imports over the last few years, and because the United States has implemented several protectionist measures (such as canceling its preferential treatment of the "four little dragons" on 1 January 1989), the U.S. commodity market, which is the largest in the Asian-Pacific region, is in a state of relative reduction. Japan will not only continue to play an important role in supplying funds and technology in the Asian-Pacific region, but will also take over a portion of the U.S. market and give more play to its increasing function of being a "necessary absorber."

It is predicted that the Western economies will experience a mild recession in the early 1990's, however, Japan will not fall into this recession with the United States. When the recession begins to develop in the United States, Japan will be able to maintain a fairly high growth rate, and will help blunt the recession's effect on the Asian-Pacific region. After the recession, the overall

growth rate of the United States and Japan will be slightly higher than that of the 1980's. Japan is expected to have an annual growth rate of more than 3.5 percent, which will exceed that of the United States and Western Europe by one percentage point, and the tremendous economic and financial power of Japan will have an important influence on the world economy.

2. By the end of the 1990's, the per capita income of the "four little dragons" will be at the level of developed nations, and their industrial structures will be close to the mature structures of developed nations. The ASEAN countries of Thailand and Malaysia will also enter the ranks of the newly developing industrial nations and regions.

In the last few years, the "four little dragons" of Asia have had a development rate much higher than developed nations and other developing nations. The "four little dragons" had respective economic growth rates for 1987 and 1988 of 11.3 percent and 9.2 percent, the growth rate for 1989 is estimated to have fallen to about seven percent, but is still obviously higher than developed nations and most developing nations.

Because the currency of the "four little dragons" has increased in value compared to the currency of the United States, has experienced an increase in labor costs, and is confronted by protectionist pressure from the United States and other developed countries, it is now in a new period of economic readjustment. They need to take the industrial structure up a notch, further develop knowledge and technology-intensive industries, and shift labor-intensive industries to ASEAN and other developing countries. The driving force for economic growth should be shifted from exports to domestic demand so that trade friction will be decreased. During this period of economic readjustment, the economic growth rate of the "four little dragons" will be appropriately reduced to about six to seven percent. Maintaining a two-digit growth rate is hard to achieve while also taking the industrial structure up a notch so that it is close to the mature structure of developed nations. If the "four little dragons" can maintain a six to seven percent growth rate through the 1990's, this will also be considered fairly high.

Along with this, the ASEAN countries of Thailand and Malaysia are doing all they can to catch up. In recent years these two countries have attained marked results by taking advantage of fluctuating exchange rates and the economic structural readjustment being conducted by various countries. They have utilized their abundant labor resources and low labor costs, actively brought in foreign investment, and promoted export production to become ideal locations into which developed nations such as the United States and Japan and Asia's "four little dragons" can shift their labor-intensive industries and capital- and technology-intensive spare-parts production and assembly production, which also have labor-intensive characteristics. Thailand had an economic growth rate for 1988 of 11 percent, its growth rate for

1989 is estimated at 10 percent; the maintaining of a double-digit growth rate by this developing nation for these two consecutive years is unmatched in the world. Malaysia had a growth rate for 1988 of 8.7 percent, and its growth rate for 1989 is estimated to be a fairly high seven percent. People generally believe that Thailand and Malaysia may very well become Asia's fifth and sixth "little dragons" in the 1990's.

3. China will develop into the great economic nation of the Asian-Pacific region.

China has achieved some tremendous results in its 10 years of reform and opening up. Between the years of 1979 and 1987 China's industrial and agricultural output value and GNP had respective growth rates of 10.5 percent and 9.3 percent, and the GNP for 1988 also increased by 11.2 percent compared to the previous year. China now has one of the fastest economic growth rates of the Asian-Pacific region and the world. The most prominent problems existing in China's current economic growth are the serious imbalance in the industrial structure and the high rate of inflation. As a result, China will slow down its growth rate during the next few years, put emphasis on economic improvement and readjustment, including adjustment of the economic structure and improving the economic order, deepen enterprise reform, and improve the management mechanisms of enterprise. Through improvement and readjustment, China will return to a sustained and stable economic growth. By the year 2000, China's GNP is expected to increase by 300 percent over that of 1980, totaling somewhat over \$1 trillion and ranking fifth in the world. Speaking of total output, it can be said that China has already entered the ranks of the world's great economic nations, but from the aspect of per capita GNP, China is still a poor developing nation that also still lags far behind developed nations in economic and technology development.

However it is worth noting that along with the development of economic readjustment and reform, especially the carrying out of strategic economic development in areas along the coast, there will also be greater development in economic and trade relations between China and other nations of the Asian-Pacific region. The further development of China's economy and its maintaining the policy of opening up to the outside will enable China to make positive contributions for the prosperity of the Asian-Pacific region.

#### International Economic Cooperation Is Bound To Increase

With the development of a transnational corporation, the flow of international funds will broaden, trade relations will increase, countries will increasingly deepen mutual dependence, and the process of internationalizing production will also speed up. In the 1990's the United States will have 45-50 percent of the spare parts for its manufacturing industries produced and processed in other countries. A trend toward this same type of

"hollow" industry will also appear in Japan due to its investment in overseas production. In addition to Japan doubling and redoubling investment in the "four little dragons" and ASEAN countries over the next few years, the spare parts, semifinished products, and machined products being resold to Japan by the "four little dragons" and ASEAN countries will also increase. In 1987, Japan increased its imports of the above type products from the "four little dragons" by 67 percent, and increased these imports from ASEAN countries by 30 percent. These included products that had always been exported by Japan in great quantities such as televisions, video cassette recorders, and small vehicles.

Asia's "four little dragons" are also increasing investment in ASEAN countries. For example, South Korea brought in foreign investment totaling \$1.06 billion during 1987. During the same year it also invested \$397 million overseas, an increase of 130 percent over the previous year. The portion of this investment that went directly into Southeast Asia totaled \$130 million, an increase of 160 percent over the previous year. Taiwan invested \$616.8 billion in Thailand during 1987, accounting for over half of Taiwan's foreign investment for that year; and, in 1988, Taiwan's investment in Thailand increased by 300 percent over 1987. Taiwan's investment in Malaysia for 1989 may exceed \$1 billion, a 300-percent increase over 1988.

In addition to this, the mutual interchange between the "four little dragons," ASEAN countries, and China also increased greatly. This is due mainly to the rise of the Japanese yen. Because of the rise in cost of importing spare parts and finished products from Japan, the "four little dragons" have replaced some of these imports purchased from Japan by buying them from ASEAN and China in order to reduce its trade deficit with Japan.

The various Asian-Pacific countries and regions developing their economies and trade under the conditions of increasing economic internationalization and international separation of labor, are further strengthening the foundation for economic cooperation in the Asian-Pacific region. The relaxation of the tense situation between the United States and the Soviet Union, and the normalization of Sino-Soviet relations have created a good political situation for strengthening economic cooperation in the Asian-Pacific region. The increasing trend of forming interregional economic groups, and especially the internal unified market to be formed by the European Economic Community in 1992 and the establishment of a U.S.-Canada free trade zone will be the external driving force for economic cooperation among Asian-Pacific countries in the 1990's. Having a fairly reasonable international separation of work within the region and giving play to the relative advantages of countries having different industries will enhance countries complementing each other economically and reduce economic and trade friction. This will be beneficial in quickening economic development of countries in the region and in promoting overall vitality in the economy in the Asian-Pacific region. However, the past disputes

and political differences of Asian-Pacific countries, the different social systems and economic mechanisms of the various countries, and the great disparity in economic development levels present many obstacles for economic cooperation. Therefore, it will be difficult to establish a wide-scale economic community in the Pacific during this century. It will also not be easy to form an economically integrated entity similar to the EEC on a limited scale in Southeast Asia. What will probably occur is, through these beginnings and preparations a minor economic cooperative organizations similar to ASEAN will be formed that will achieve substantial economic results and gradually raise their level of economic integration. Later, these minor economic cooperative organizations will be used as a base to enlarge the scope and to establish a large Asian-Pacific region economic cooperative organization.

## EAST EUROPE

### Political Turmoil in Bulgaria Detailed

90ON0384A Beijing SHIJIE ZHISHI /WORLD AFFAIRS/ in Chinese No 2, 16 Jan 90 pp 18-19

[Article by Chun Guang (2054 0342): "The Changing Situation of Bulgaria"]

[Text] Significant change has occurred in the last two months in Bulgaria that has caught the attention of the world media.

### Zhivkov Forced To Resign; Significant Structural Reform Taking Place in Leadership

On 10 November last year the central committee meeting of the Bulgaria Communist Party removed Todor Zhivkov from the position of the general secretary of the central committee and stripped him of his membership in the Political Bureau. The meeting elected Mr. Mladenov, a member of the Political Bureau and the minister of foreign affairs, as the general secretary of the central committee. Between 10 November and 11 December, the central committee of the Bulgaria Communist Party held three more meetings to restructure the party leadership on a large scale. During these meetings, seven of the 10 Political Bureau members, four of the six alternate members, and six of the seven central committee secretaries were removed from their posts. More than 30 other central committee members were either removed from their posts or stripped of their party memberships. Zhivkov and his son were both stripped of their party memberships. The National Assembly met twice in January. These two meetings removed Zhivkov from the chairmanship of the state council and restructured the government and the National Assembly. This structural reform has been the largest in scale so far in Bulgaria's 40 years since the liberation. Zhivkov, the most senior member who has been holding power for the longest time among all of the leaders in the East European block, is out of the political arena for good.

During the central committee meetings, many members criticized Zhivkov for his mistakes. They criticized the major party leaders for their unrealistic approach to economic reform and development in Bulgaria. In the last 10 years the Bulgarian economy has become stagnant, its economic structure has become severely unbalanced, and its economic condition has deteriorated constantly. Although numerous reform plans have been proposed, none of them had substantial breakthroughs. Furthermore, these reform plans have caused new problems. Zhivkov has been a very arbitrary leader and tried to create a personal cult. He organized his own staff and placed himself above the Political Bureau. He appointed people by favoritism and promoted his own relatives and friends to important positions. He brought his daughter into the Political Bureau and promoted his corrupt, good-for-nothing son into the position of the chairman of the party's committee for culture. Zhivkov also purged his opponents and removed them from the Political Bureau and the secretariats of the party central committee. His multiple mansions in different locations of the country led to severe grievances by the masses, but none dared to express them under the repressive environment created by Zhivkov. Such repression not only destroyed Zhivkov's own personal reputation, it also severely weakened the party's prestige. It also intensified Bulgaria's existing domestic and international problems.

#### **The Political Proposals of the New Leaders**

After being elected general secretary of the central committee and chairman of the State Council, Mladenov has elaborated many times his new administrative programs and political views in his speeches. He has made it clear that the new leadership will thoroughly break away from the old system of administration and laws. The new leadership will practice democracy and actively seek dialogue with the masses. He also stated that the issue of democracy and freedom will be solved through legal channels. The goal of the new leadership is to build a modern country with democracy and a government ruled by law.

According to Mladenov, reform is the only choice for Bulgaria. However, reform is a very complicated process full of barriers and unpredictability. As socialism was a historic choice made by the Bulgarian people, reform must therefore remain in the socialist framework. During the present stage, the Bulgarian Communist Party remains the vanguard and the leader. Nevertheless, party leadership cannot be gained through administrative order. Rather, it should come from trust. To answer the question raised by a reporter from the PRAVDA, Mladenov said, "Man has not come up with any better choice than socialism." However, the question of what socialism really is can be answered only in the experience of reform and in real life.

#### **The Unstable Situation in Development**

Since the end of last October [1989] an organization called "Open Environment," formed by some social

celebrities, has been on the streets for demonstrations and it solicited signatures on the occasion of the 35-country European conference on environmental protection held in Sofia. The organization demanded more democracy and openness in political life. This activity has brought social instability to the long-time stable society of Bulgaria. Afterward, more than a dozen previously existing organizations such as "The Committee To Protect Human Rights," "Independent Union," "The Committee To Supervise and Practice the Helsinki Spirit," and "The Independent Student Union," were all reactivated. At the end of last November more than a dozen sizable unofficial organizations gathered their political forces together to form the "Alliance of Democratic Forces." They organized large-scale mass meetings on the occasion of central committee and the National Assembly meetings in order to put political pressure on the new leadership. Besides the initial request for more democracy and freedom, the release of political prisoners, recognition of unofficial organizations, and the right to hold roundtable meetings, their new demands now include multiparty parliamentary system and free elections, the overthrow of Communist Party leadership, and the resignation of the party central committee, the National Assembly, and the government. Meanwhile, the "Peasant Alliance," which has cooperated with the party for many years, and the "Union," which has also been under party leadership for many years, sought their political independence from the party.

On the one hand, the new leadership in Bulgaria called on the masses to unite all forces in order to overcome the economic difficulties and to stabilize the situation under the circumstances. On the other hand, the new leadership expressed their willingness to dialogue with different social forces on the basis of socialism and patriotism. The National Assembly passed laws granting the rights of assembly and demonstration, but emphasized maintaining order and prohibited disorder in these events. The National Assembly also passed laws requiring leaders to make their income information available to the public, and banned special privileges such as special supply stores run by the party central committee as well as specially reserved hunting grounds for Political Bureau members. The party central committee has set up six subcommittees for the purpose of collecting and gathering opinions and suggestions from different circles. The National Assembly announced that it will revise the Constitution next January to nullify the articles about Communist Party leadership. The assembly also announced that a free election will be held in the second quarter for the purpose of selecting National Assembly members.

However, the new leadership resisted the extremist statement and behavior of the opposition. On 14 December unofficial organizations called in tens of thousands of people to surround the assembly hall where the National Assembly was holding its meeting. These organizations demanded the resignation of the party, the assembly, and the government. They also claimed that a general strike

would be held if the terms were not met. In response the Assembly announced that such activity was unconstitutional and against democracy. The Assembly also pointed out that such activity was designed to provoke the highest authority of the state and would result in disorder and national disaster. In order to counteract the influence of these unofficial organizations, the Bulgarian Government also organized numerous mass meetings in support of the new leadership and the reform. The government-organized meetings were attended by far more people than meetings organized by the opposition. During these meetings, the masses shouted the slogans: "Socialism was gained through bloodshed; defend socialism with our action"; "There would be no reforms without the Bulgarian Communist Party"; "Oppose fake democracy"; "Mistakes are made by individuals, not by the Bulgarian Communist Party"; "Don't withdraw your party membership, don't strike, unite together." The general secretary of the Bulgarian Communist Party, the defense minister, and others gave their speech at these meetings. They called for a united effort to overcome the difficulties faced by the nation. Some quite renowned intellectual celebrities also spoke at these meetings asking the people to become more united and carry out the new policies by taking actions.

Currently, the Bulgarian Communist Party has drafted an annual plan to overcome the country's economic difficulties. However, the situation in Bulgaria is still going through change.

### Changes in Romanian Political Scene Examined

90ON0454A Beijing SHIJIE ZHISHI /WORLD AFFAIRS/ in Chinese No 3, 1 Feb 90 p 14

[Article by Qiang Liang (1730 0081): "Changes in the Romanian Political Situation"]

[Text] On 16 December last year, several hundred ethnic Hungarians demonstrated in Timisoara in western Romania to protest a ruling by the city's court which expelled a dissident ethnic Hungarian priest Father Tokes from the clergy and ordered him to move out of his state-owned apartment. The number of demonstrators soon grew to several thousand who chanted the slogan of "down with Ceaucescu," burned his writings, and occupied the city government building. Soldiers and policemen were sent in to disperse the protestors in clashes that led to casualties and injuries. On 20 December Nicolae Ceaucescu returned home from a visit to Iran and appeared on television to condemn the demonstration as a "terrorist action" supported by foreign spies. He declared a state of emergency in Timisoara. On 21 December, while speaking at a public gathering held by Ceaucescu supporters in the Romanian capital of Bucharest, Ceaucescu was interrupted by cat-calls and boos. The security forces fired warning shots, which did not prevent the gathering from turning gradually into an anti-Ceaucescu protest rally. At the same time, a demonstration staged in the heart of the city expanded quickly, with the number of protestors rising

to tens of thousands. On the morning of 22 December a large-scale demonstration was held in the capital, forcing Ceaucescu to impose a state of emergency nationwide. He executed the defense minister who had refused to carry out his orders, which provoked a revolt by some military units. At noon Ceaucescu fled in a helicopter, and the crowds took control of the party's headquarters, and the state-controlled radio and television stations. The general chief of staff, the first deputy defense minister, the commander of the 1st Army Division, and the chief of police all appeared on television to denounce Ceaucescu. An order was issued to block all passages in a search for Ceaucescu and his wife Elena. That night, a pro-Ceaucescu security unit clashed with the military. Meanwhile, the "National Salvation Front" announced its formation and took over all power. Soon afterwards, Ceaucescu was arrested. The "National Salvation Front" and the military gradually put the situation in the entire country under control after successful battles against resistance. On 25 December, a special military tribunal sentenced Ceaucescu to death and he was executed right away.

The Ceaucescu regime for a long time put undue emphasis on developing heavy industry, pursuing a "three-highs" policy aimed at "high accumulation, high speed, and high index." The results were a seriously flawed economy, hardships for the people, and widespread public resentment. For many years Romania's national income had an average accumulation rate of 30 percent, sometimes as high as 35 percent. It disregarded its economic limits and developed some high-expenditure, low-efficiency large-scale heavy industrial projects. For instance, although the country lacked iron ore, two steel plants were constructed to produce 10 million tons of steel a year. Its petrochemical industry produced more than 30 million tons of processed products each year, with half of the raw materials relying on imports. Romania accumulated huge foreign debts as it imported equipment and raw materials, particularly during the oil crisis period. To repay the debts it was forced to export a large quantity of agricultural by-products, which led to shortages in the domestic market. Meat and milk were rare items, and the supply of bread had to be rationed. Inadequate supplies of electricity allowed people to heat their houses only at 10 degrees [Celsius] in the winter. Voices of resentment were heard everywhere. Last year the country's total grain yield was only 18 million tons, but Ceaucescu said it was a record harvest of 60 million tons.

Politically, Ceaucescu believed in personal cult and family rule, increasing the wrath of the cadres and the masses. Almost all of the highest positions belonged to Ceaucescu. He was the president, the party's secretary general, and the military's highest commander. His wife Elena held the power over party personnel for many years and was the first deputy prime minister of the government. Other members of the Ceaucescu family also occupied various senior positions. Ceaucescu punished, demoted, or replaced his cadres at will and would not tolerate any dissent.

As soon as it was formed, the "National Salvation Front" announced 10 guidelines: eliminate one-party rule and replace it with multiparty rule; hold free elections; abolish the system of lifelong leadership; change the country's name to "Romania" (its former name was "Socialist Republic of Romania"); start efforts to draft a new constitution; reform the economy; reform agriculture; adjust foreign trade; stop the exports of agricultural products and petrochemical products; and fulfill all of Romania's international obligations.

The "National Salvation Front" had about 30 members when it was formed, each of whom had a different

political platform. On 26 December the front's committee elected Ion Iliescu as its chairman and appointed Petre Roman as the government's prime minister. Earlier this year the committee set up an 11-member executive bureau with Ion Iliescu still as the chairman. The 60-year-old Iliescu had been the first secretary of the Romanian Communist Party's youth wing, secretary of the party's central committee, and an alternate member of the central Executive Committee. After he was demoted in 1972, he served as secretary of a provincial party committee and chairman of the National Irrigation Committee. He lost in a Central Committee election and became publisher for a technological printing press.

**Marxism Affirmed as Solid Base for Socialist Nation**

90ON0336A Beijing MAKESIZHUYI YANJIU  
[STUDIES ON MARXISM] in Chinese  
No 4, 20 Dec 89 pp 35-45

[Article by Zhu Shigao (2612 1102 7559): "Whether To Uphold or Abolish Marxism"; article "What Kind of Marxism China Should Uphold" was published as "Scholar Says Marxism Must Evolve To Stay Relevant" in JPRS-CAR-89-066, 27 June 1989, pp 7-11]

[Text] *Editor's Note: In recent days this journal has received a number of draft articles criticizing the article by Li Honglin [2621 3163 2651] entitled "What Kind of Marxism China Should Uphold" that we published in our first issue of the year. We are deeply grateful for the solicitude and support shown us by our readers. We have chosen the manuscript submitted by Comrade Zhu Shigao for publication in this issue, and in this same issue we publish six other articles by such writers as Gu Longsheng [7357 7893 3932], all of which level criticism at bourgeois liberalization.*

*Under the guidance of former editor Su Shaozhi [5685 4801 2535], this journal published several articles espousing incorrect and/or bourgeois liberalization views. We will now publish articles criticizing such views. The long-term, fundamental mission of this journal is to uphold the four basic principles and oppose bourgeois liberalization. We will earnestly sum up and learn from our experiences, and work hard to make this journal a theoretical base that upholds and propagates Marxism-Leninism and Mao Zedong Thought.*

As the floodwaters of bourgeois liberalization were running unchecked, Li Honglin wrote an article entitled "What Kind of Marxism China Should Uphold" that was published in the first issue of this journal of 1989. The article was the fourth in a series of articles written by Li Honglin (his three earlier articles were published in RENMIN RIBAO. In the preface to his article the author specifically exhorted us that "everything hinges on content, not on names" and "we must unite the thinking of the people." Well, we will heed the author's advice and examine whether the "content" of his article works to uphold Marxism, or whether it seeks to abolish Marxism.

## I

Li Honglin suggests that seeking truth from facts is all that Marxism amounts to. This belief leads him to deny the fundamental principles of Marxism, as well as the systematic science of Marxism. Here we have one of the basic beliefs of Li Honglin that persuades him that Marxism must be abolished.

In his article Li Honglin made much about the need to oppose incorrect Marxism, and to uphold the correct Marxism. Well then, what kind of Marxism does he seek to uphold? He says "the method of thought that seeks

truth from facts." Nothing else can compare to it. Also, he provides us with three reasons why the method of thought that seeks truth from facts is an important method for understanding the world, transforming the world, testing theory, and developing theory, and why it permeates everything. Thus, to uphold seeking truth from facts is to uphold Marxism. This type of view seems to have a certain reasonableness, but in fact, it is incorrect.

First, he denies the rich content of Marxism. Marx and Engels created Marxism, and their supporters and inheritors developed its ideological theory. Marxism unites principles, conclusions, and a system. It includes within one package stances, views, and methodology. Its content is at once rich and well ordered. Engels pointed out that "we must give credit to Marx for these two great discoveries—the materialist historical view and how to expose capitalism's secret of excess value. Because of these discoveries, socialism has become a science."<sup>1</sup> Lenin pointed out that "Marx's theories are powerful because they are correct. They are perfect and well ordered, and they provide the people with a complete world view that is completely different from any superstition, any reactionary force, or any compromise arguments put forth in defense of capitalist oppression. Marxist doctrine is the rightful successor of the outstanding creations of 19th century man—German philosophy, English political and economic study, and French socialism."<sup>2</sup> And Stalin said "Marxism is a science that deals with the developmental laws of nature and society, the revolution of the oppressed and exploited masses, the victories of socialism throughout the world, and the construction of communist society."<sup>3</sup> Each of these statements reflects the rich content of Marxism. If we follow Li Honglin's view that to "seek truth from facts" is the whole of Marxism, then, Marx's two great discoveries are no more, the three constituent parts of Marxism are abandoned, and such theories as the proletariat revolution, the dictatorship of the proletariat, the socialist revolution, and socialist construction are all negated. What remains is an isolated methodology bereft of actual content. What kind of Marxism is that?

Second, he fails to recognize the interrelationship between the method of thought that seeks truth from facts and Marxism.

Originally, seeking truth from facts was a phrase used in ancient China that referred to a style of study that sought out the factual. In his article, "Transforming Our Study," Mao Zedong provided the first scientific explanation for seeking truth from facts. He said, "'actual facts' means everything that objectively exists. 'Truth' means the internal relationship between objective things—it has the nature of a law. 'Seek' means that we are to perform our own research." This explanation is terse but comprehensive. It employs the philosophical principles of dialectical materialism to sum up the experiences of China's revolutionary history. The way Comrade Mao Zedong speaks of seeking truth from facts upholds both materialism and the dialectical methodology. Its basic spirit points to the need for everything to

proceed in accordance with reality, for a resolution to be made between the subjective and the objective and between theory and actuality, for matters to be handled in accordance with objective laws, and for the various work items of the revolution and of construction to be done well and efficiently.

Following the Third Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping further elaborated on the content, position, and role of seeking truth from facts. This came out of new experiences gleaned from practice. Comrade Deng gave to the concept the basic ideas of materialism, dialectical methodology, and the theory of understanding. Furthermore, he reiterated that "seeking truth from facts means that everything starts from what is real, theory is connected to reality, truth is to be examined in light of its results in practice, and all of this shall be the party's ideological line."<sup>4</sup> "Seeking truth from facts" is the entire core of Deng Xiaoping Thought. It permeates both his theory and his practice. It is Deng Xiaoping who has spoken the most about seeking truth from facts and done the best work with it. Comrade Deng Xiaoping has also correctly expounded on the relationship between seeking truth from facts and Marxism and Mao Zedong Thought.

He said that "seeking truth from facts is the foundation of the proletariat world view and the ideological foundation of Marxism. Every revolutionary victory we have achieved was won by seeking truth from facts. Now we must achieve the four modernizations, and this too will require seeking truth from facts."<sup>5</sup> If we compare the theoretical system of Marxism to the building of a large mansion, then seeking truth from facts is the foundation upon which the mansion will be built. A "foundation" is important. Without it the mansion cannot be built. However, one cannot equate the "foundation" with the "mansion" itself.

On the one hand, Comrade Deng Xiaoping refers to seeking truth from facts as the "foundation of the proletariat world view." On the other hand, he calls it "a basic view and method of Marxism."<sup>6</sup> He repeatedly emphasizes that "the most fundamental methodology of thought and work that every Communist Party member must firmly keep in mind is that guidelines for work are to be determined based on actual conditions."<sup>7</sup> Seeking truth from facts is the basic methodological principle of our party, and it permeates our party's theoretical and practical activities. However, the methodology of seeking truth from facts cannot substitute for the whole of Marxist philosophy, let alone for the whole of Marxism.

Comrade Deng Xiaoping also said: "The seeking truth from facts that we advocate is a basic constituent element of Marxism-Leninism and Mao Zedong Thought. Thus, in advocating the search for truth from facts, we can in no way deviate from the basic principles of Marxism-Leninism and Mao Zedong Thought, nor can we overlook the great contribution that Comrade Mao Zedong made regarding this issue."<sup>8</sup> This makes it

clearer that seeking truth from facts is "a basic constituent element," and is not "the whole." Moreover, we cannot deviate from the guiding thought of Marxism-Leninism and Mao Zedong Thought. This lies in serious contradistinction to Li Honglin's "substitution theory" and "equation theory."

The relationship between the seeking truth from facts line of thought and Marxism is similar to a foundation and a mansion, or a part to a whole. This relationship cannot be inverted. Without the guidance of Marxism, it would be impossible to uphold seeking truth from facts. This is because one needs the correct stances, views, and methodologies before one can uphold seeking truth from facts. The correct stances are Marxist stances, proletariat stances, and the people's stances. In opposition are the incorrect stances, namely, the capitalist stance, the small clique stance, and the individualist stance. One's stance determines one's view and methodologies, and the people's beliefs and actions. Methodologies are not the determining factor. If you take the same event and approach it from different stances, you will end up with completely opposite conclusions. For example, there are different views about what happened at the counterrevolutionary disturbance in Beijing last June. Viewed from the stance of the people and the party, it was a "counterrevolutionary" incident. But, viewed from a bourgeois liberal stance, it will be seen as a "patriotic democratic movement." Thus, we can see that only by upholding Marxism can we ever be truly successful in seeking truth from facts. Just as Comrade Deng said, "In effectuating this line of thought, we must oppose dogmatism and revisionism, and we must uphold the four basic principles. If we depart from upholding the four basic principles, we will have neither roots nor direction, and it will be meaningless to talk of implementing the party's ideological line."<sup>9</sup>

Li Honglin overstates the truthfulness of certain principles or aspects, and then uses this to break apart the wholeness of Marxist principles. Marxism completely reflects the nature of objective things and laws of development. This completeness is a reflection of the completeness of objective things. Within itself, Marxism contains the principles and theses of every area and territory. However, these principles and theses are not isolated; they are interrelated, mutually restrictive, and together forge a complete theoretical system. Upholding Marxism means upholding this complete theoretical system. On numerous occasions Comrade Deng Xiaoping has emphasized that Mao Zedong Thought is a scientific system and an integrated whole with rich content. One cannot grasp on to a few articles or one or two views and abandon the rest. He proposes that we completely and correctly understand and apply Mao Zedong Thought. Here, the most critical issue is to grasp Mao Zedong Thought as a whole. The same holds true for Marxism. For our party to uphold Marxism means that we uphold it in its entirety. It does not mean that we can uphold one or two principles. To uphold Marxism naturally includes applying Marxism. That is, we must

combine the general truths of Marxism with actualities of China. To uphold Marxism also includes developing Marxism. To uphold it without developing it is tantamount to not upholding it. However, both upholding and developing are good things. Each has its supporting premise. This conditional premise is that we completely and accurately understand Marxism. If we cut up Marxism into pieces, or if we take a certain principle and use it to replace the whole of Marxism, this would be to substitute a part for the whole. One may say that in doing so he is upholding Marxism, but in fact, he is working for its destruction.

## II

Li Honglin works to abolish Marxism through his view that the scope wherein Marxism should be upheld should be narrowed, and that it is not necessary to uphold Marxism throughout the whole society.

In his article, Li Honglin writes, "It would be impossible to demand that everyone uphold Marxism. Forget about religious people upholding Marxism. Even among the nonreligious citizenry, not everyone is capable of upholding Marxism. Before one can uphold, one must grasp, and one must have a depth of understanding and be proficient in application. However, the majority of the Chinese population have cultural levels below the middle level, and there are hundreds of millions of illiterate and semi-illiterate citizens. Can we demand that they uphold Marxism? Even if the whole country were at the middle level of cultural proficiency, still it would be improper to demand that everyone uphold Marxism." Well then, who is to be responsible for upholding Marxism? Li Honglin says "it is the responsibility of the Chinese Communist Party itself." "It is the responsibility of the CPC Central Committee." So, all will be fine if a few hundred members of the Central Committee uphold Marxism.

Is upholding Marxism only the responsibility of Central Committee members? Why would Li Honglin want to propose this? The Chinese Communist Party is the vanguard of the working class of China. It is the faithful representative of the basic interests of all Chinese people. On the day the party was born, it began, under Marx's guidance, to lead the whole nation and the people, and it has valiantly proceeded to fight our every battle, wave after wave. Both the nature of our party and China's recent modern history show us that the basic political principles and direction of the party lie in continuously upholding Marxism-Leninism. This is the objective requirement for the historical development of China. The question is this: aside from party organizations, are there others in our socialist nation and people's government who should uphold Marxism? How about workers organizations, youth organizations, women's organizations, or worker, peasant, soldier, student, or commercial groups? Should any of these groups take Marxism-Leninism to be their guiding thought? In Li Honglin's view, this is unnecessary, and furthermore, it would be impossible.

Is it necessary for Marxism to be spread throughout the society? We answer—yes, it is extremely necessary.

Upholding Marxism is not the subjective aspiration of a minority of our society, but is an objective requirement for our social development. After all, it is a requirement for the development of the productive forces and achievement of the four modernizations. China's peculiar contradictions and historical conditions have determined that China can travel only the path of socialism. Thus, the thought, will, and action of the Chinese people can only be united through Marxism. They can only be united on a Marxist foundation. The report of the 13th CPC Central Committee points out: "Why should we uphold the four basic principles? Because, only in this way can modern China be basically assured that the productive forces will develop." This is to say, upholding the four basic principles provides a strong ideological guarantee that reforms and liberalizations will unfold in the correct direction, and that reforms and liberalizations will lead to the further release of productive forces that are still fettered and the rapid development of these productive forces. Thus, in the end, upholding the four basic principles is done so as to guarantee development of the productive forces.

Marxism-Leninism and Mao Zedong Thought run throughout the whole history of development of our party and our nation. They have become strong spiritual weapons used by the party and the people in overcoming the decadent thought of the capitalist class and of feudalism. Precisely because of this, our class enemies at home and abroad are forever hostile to and fearful of Marxism-Leninism and Mao Zedong Thought. They oppose Marxism because they hope to take away the ideological weapons of the Chinese Communist Party and the Chinese people.

Li Honglin feels that not only is it not necessary for everyone in society to uphold Marxism, but it would be impossible. He feels that this is so because we have not yet fulfilled the prerequisite—namely, most of the Chinese population rank below the midlevel in cultural proficiency, and we have hundreds of millions of illiterate and semi-illiterate citizens. This raises an issue involving the correct understanding of the relationship between upholding Marxism and one's cultural level. With a certain level of cultural proficiency, or with a somewhat higher level, the study and grasp of Marxism will come a little easier and a little faster. With a lower level of culture, there will be more difficulties in studying and grasping Marxism. Here we are speaking in a general sense. However, it cannot be said that because one's cultural level is low, one cannot uphold Marxism. This view does not conform to reality, and thus, reality is the best tool to use to counter it. In the years during the war of liberation, most members of the Chinese Communist Party were peasants with low cultural levels. However, under the cultivation and tutelage of the party, and through the trials and toughening of the revolutionary battles, these peasants became loyal Marxists by studying Marxism-Leninism and steadfastly believing in

it. And some of them even blossomed forth as brilliant Marxist thinkers and theoreticians. Among our high-level senior military commanders, most have low levels of cultural proficiency. Yet, through self-study and practice, many of them became leaders of political and military strategy with extremely high levels of Marxist proficiency. These facts amply illustrate that even persons with low cultural levels can grasp Marxism-Leninism and Mao Zedong Thought. In Li Honglin's view, those with low cultural levels cannot uphold Marxism. "And even if the whole population were to rise to the midlevel of cultural proficiency, still not everyone could uphold Marxism." If this is so, then it is simply a hopeless task to try and uphold Marxism in China.

Li Honglin also feels that upholding Marxism throughout the whole of society would mean forcing everyone to believe in Marxism. "Since Marxism is a science, it should not be given a special metaphysical status; the people should not and need not be forced to believe in it." Yes, Marxism is a branch of science, and the people should not and need not be forced to believe in it. This is because scientific truths always possess the capability of winning over the people and being accepted by the people. Does not a segment out of the historical development of Marxism illustrate this point? However, the development of Marxism follows a process. It is subject to the restricting influence of various external factors, and it needs all of our leaders and educators to work harder to propagate and teach it. If this is not borne in mind, then even in socialist countries led by the Communist Party the development of Marxism will meet with problems. Thus, things like strengthening propagation and education, creating beneficial external environments, eradicating the various obstacles to development like spiritual pollution, and opposing bourgeois liberalization are all done for the better development of Marxism. How can this be called forcing the people to believe in Marxism? There has never been a rule in our party's policy that required us to force the people to believe in Marxism-Leninism. On the contrary, the Constitution of the PRC clearly stipulates that the people shall have the right to freedom of belief, and this extends even to religious belief. In the scientific and cultural fields the policy of "letting one hundred schools of thought contend, letting one hundred flowers bloom" allowed for freedom to discuss all academic issues, including issues concerning world view.

However, from another standpoint, upholding Marxism as a way of upholding the four basic principles has already become a recorded item in the documents of the Chinese Communist Party and in the PRC Constitution. Party documents are binding on party members, and the PRC Constitution is binding on all citizens. In our society, speech and action that oppose the four basic principles are unconstitutional and not permitted. However, this restrictiveness is combined with a high degree of consciousness. Upholding the four basic principles conforms to the needs of the broad masses. It is what the broad masses need. For this reason, it is solemnly

embraced by the broad masses, it is able to be thoroughly executed in a conscious way, and no one feels that this binds or compels the individual. Only those who do not want to uphold the four basic principles or who oppose them feel they are being forced against their will.

In fact, no matter what society you are in, the rulers always push their conceptions of society on the people. This has been and always will be true—everywhere. Do not capitalist nations push their capitalist thought, lifestyles, and values on their people? We are a socialist nation led by the working class, so why may we not spread Marxism-Leninism throughout our society as the conception of a working class society? In recent years, bourgeois liberalization has been quite popular, and with the support and connivance of certain leading party members, the status of Marxism-Leninism and Mao Zedong Thought has been weakened. This is quite out of keeping with China's endeavors to achieve the four modernizations. We should boldly and confidently uphold Marxism-Leninism and Mao Zedong Thought throughout our society, and see that it continues to have further development.

### III

This article by Li Honglin, together with his previous articles, levels certain criticisms at ultraleftist things. This, in turn, earned him fame among theoreticians. However, we must recognize that his goal was not to criticize the ultraleft. This was merely a strawman he set up to serve as a contrast.

The tide of ultraleftist thought proliferated for a long time in China, and it brought such harm to our party and our nation. Theoretical workers who expose the damage and search for the historical societal roots that led to the growth of ultraleftism in China allow the people a chance to clearly understand the nature of the ultraleftist tide and to eradicate those historical societal conditions that lead to the proliferation of ultraleftism in a scientific way. This is meaningful work. However, this is not what Li Honglin is up to. His plan is to make the people waver and doubt Marxism by criticizing ultraleftist thought. This is one of the techniques he is employing to abolish Marxism.

He says that the ultraleftist thought of Lin Biao and the gang of four "merely took Mao's leftist errors and developed them to the extreme." "Thus, any criticism of ultra-leftist thought must include the erroneous thought of Mao Zedong. Naturally, there is no way we can continue to uphold this kind of thought." And where does he feel that Mao Zedong's erroneous thought came from? It came from Stalin he feels, because China was employing techniques it had copied from the Soviet Union. Stalinism, in turn, came from Leninism. "Since we have already followed the trail back to Stalinism, we are forced to implicate Leninism." He goes on to say further, "when upholding Marxism, to employ practical standards in reassessing the various elements of this ideological system does not mean that we must refer

back to Marx." "Neither Marx nor Engels nor their successors are saints. 'Their words are not cast in boilerplate as truths,' let alone their 19th century European lives." Well then, what is the conclusion? Li Honglin says "this forces the Chinese people to stop and make a reassessment based on the Marxist ideological system of whether a given problem stems from a theoretical foundation." This is the so-called "getting to the source theory" of Li Honglin. What it is that he would have the people reassess, he does not clearly state.

During the democratic revolution, our party erroneously fell into "leftist" tendencies on three occasions, each more serious than the last. This has almost doomed our revolutionary undertaking. Since the birth of our modern nation in 1949, and beginning in the latter part of the 1950's, "leftist" errors emerged from the guiding ideology of our party. As a result, the ultra-leftist ideology of the Cultural Revolution gave us "10 years of chaos." These "leftist" errors and the emergence of ultraleftist thought were not accidental. From a Marxist point of view, these complex phenomena are the product of certain historical conditions which are to be found in Chinese society itself. The blame cannot be placed solely on an individual or individuals, nor can we attribute this to the influence of foreign thought. Engels pointed out that "the ultimate cause of all societal and political change should not be attributed to conscious choices of the people or to the people's steadily increasing understanding of eternal truths and justice. Rather, the reasons should be sought in changes in the methods of production and exchange."<sup>10</sup> This is a basic tenet of historical materialism and a guiding principle by which we should analyze various social phenomena.

Our party's "Resolution Concerning Certain Historical Issues" applies this principle to make a penetrating analysis of the societal sources of "leftist" tendencies. The "resolution" points out that "leftist" tendencies reflect the thought of China's democratic petty bourgeoisie. China, part colonial and part feudal, is a nation where the petty bourgeoisie have really proliferated. Not only have they proliferated outside of the party, but within the party members with a petty bourgeois background are in the majority. Thus, petty bourgeois thought is frequently reflected in various forms within the party, and this is inevitable and should not surprise us. For example, the ideological method of the petty bourgeoisie is basically to view the emergence of a problem in a subjective and one-sided way. They do not set out by objectively viewing the relative class strengths in a comprehensive way. Rather, they take their own subjective aspirations, feelings, and idle talk as the reality. They take the one-sided as the comprehensive, and the part as the whole. The political tendency of the petty bourgeoisie generally shows a wavering back and forth between right and left. They hope the revolution will be victorious quickly so that they can basically change the circumstances they find themselves in today. In the area of life organization, because the lifestyles and thought of the petty bourgeois are both generally limited, they

exhibit a style of individualism and spiritualism.<sup>11</sup> This analysis accords with the ideological line of seeking truth from facts and with principles of historical materialism. Li Honglin traces the ultraleftist trend back to Marx! This is an obvious mistake. From the standpoint of methodology, he deviates from the line of seeking truth from facts. From the standpoint of theory, he violates the basic principles of historical materialism.

So, are there external causes of our "leftist" errors and the emergence of leftist thought? We should recognize that there are. To not recognize this would be to violate what it means to be a materialist. The serious errors of "leftist" dogmatism created by party members, among whom Wang Ming [3769 2494] is representative, were caused by worshipping Comintern resolutions and Soviet experiences, and then mechanically copying them. Aside from those stemming from Comrade Mao's own internal reasons, the "leftist" errors committed by Comrade Mao Zedong in his later years were undoubtedly brought on in part by referring to the Soviet experience and Stalin's erroneous thought. However, we need to make two points clear: First, external causes are ancillary or secondary; second, external causes must be analyzed concretely—we cannot just lump them all together. Our party's "Resolution Concerning Certain Historical Problems Facing the Party Since the Founding of the Nation" has provided in-depth analysis on this question. One passage has this to say: "This sort of subjective ideology and methodology that deviates from reality misunderstands and dogmatizes certain inconsequential passages from the works of Marx, Engels, Lenin, and Stalin, and then proceeds to use these passages as a 'theoretical basis.'" The so-called "misunderstanding" means that one incorrectly understands things that are correct. The so-called "dogmatism" means that one applies things mechanically without seeing that they fit in with reality.

Incorrect understanding and dogmatism of certain inconsequential passages of Marxism have been a frequent problem for us. It has happened in the past and will continue to happen in the future. What problem does this attest to? It attests to the fact that our study of Marxism is not sufficiently comprehensive, our understanding is not sufficiently deep, and we must further expand our grasp of Marxist theory. Is it any wonder that we hear things like Marxism is "dead," it has become too "rigid," it can no longer be upheld, and it should be abolished? Is it any wonder that all of our work errors are attributed to Marxism? Obviously, the foregoing conclusions are wrong.

The world is undergoing massive changes, human civilization is taking gigantic strides, and there is now a new platform for the undertakings of the working class and laborers. Socialism in China has undergone excruciating tests, and has both solidified and prospered. All of this requires that new developments take place in Marxism, and this is indeed the trend of the modern age. We must not oppose this trend; we must align ourselves with it.

Footnotes

1. *The Complete Works of Marx and Engels*, Volume 19, p. 227.
2. *Selected Works of Lenin*, Volume 2, p. 441.
3. *Selected Works of Stalin*, Volume 2 of 2, p. 538.
4. *The Works of Deng Xiaoping (1975-82)*, p. 242.
5. *Ibid.*, p. 133.
6. *Ibid.*, note 4, p. 109.
7. *Ibid.*
8. *Ibid.*, p. 243.
9. *Ibid.*
10. *The Selected Works of Marx and Engels*, Volume 3, p. 425.
11. *The Selected Works of Mao Zedong*, appendix to Volume 3.

**Renewed Student Interest in Mao Zedong Analyzed**

90ON0345A Beijing DAXUESHENG [UNIVERSITY STUDENTS] in Chinese No 1, 10 Jan 90 pp 8-9

[Article by Zhang Qian (1728 6197) of the Chinese Youth Political Institute: "On the 'Search for Mao Zedong' Trend Among College Students"]

[Text] The "search for Mao Zedong" trend, which began at China People's University at the start of the new academic year and quietly became the vogue among university students throughout the capital, has now spread to universities nationwide. At many colleges across the country, "students of Mao" have appeared and people have been borrowing and reading biographies of Mao Zedong. Reports of this phenomenon have been on the increase:

—At China People's University library, the borrowing rate for books on Mao Zedong, such as *Mao Zedong on the Road to Divinity* and *A Leader's Tears*, has increased since the student strike.

—At Jiangxi University there has been such an upsurge in the study of Marxism, Leninism, and Mao Zedong Thought that works such as *On Contradiction*, *On Practice*, and *Building a Chinese Style of Socialism* have all been checked out of the college library's circulation department.

Although you couldn't characterize it as a nationwide phenomenon, all in all, reports like these have tapped a somewhat responsive social chord. People cannot help but raise certain questions: Why has this kind of trend appeared in institutions of higher education in the wake of the student upheaval? What is the social background

and psychological motivation behind this phenomenon? How will it develop in the future?

One full-time student and working cadre says, "Many of my fellow students are seeking Mao Zedong as a means of reestablishing psychological balance. For the students, Western things don't seem to work; yet they feel it would be unbearable to accept the current existing options. At this point Mao Zedong becomes a mediating force—a substitute."

From a psychological standpoint this makes sense because, after experiencing a major upheaval, people always need to seek a kind of "mediating factor" in order to maintain psychological balance. However, why must students choose Mao as their "mediating force" or "substitute"? Behind this phenomenon, I would have to say, lie other sociopolitical factors. Therefore, perhaps if we conduct a political-social analysis we can attain a somewhat better understanding of the situation.

The first point of analysis: Seeking Mao Zedong is a reflection, in university students, of the political mentality of Chinese society in recent years. It certainly did not arise spontaneously; rather, it has a certain sociopolitical foundation. Strictly speaking, the "discover Mao Zedong" phenomenon had already appeared prior to the student uprising; it just became more prominent afterward.

College students are the "barometer" of social change. Many sociopolitical issues are first reflected through the windows of institutions of higher education. It is no wonder that one Indian political scientist has said, "In all of society, students always constitute the most knowledgeable, dynamic, vital, radical, and sensitive portion." As university students adapt to society, they also actively reflect the society in which they live. In the past few years, as economic development overheated in China and some policies were bungled, problems appeared in social, political, and economic areas. In particular, skyrocketing prices, improper party style, negative social mood, and severe corruption constantly assailed people mentally and disturbed them spiritually. A mood of reverence and sentimentality about the "Mao Zedong era" emerged among some people who were dissatisfied and disgusted with these problems. One major sign of this is the Chairman Mao badges that have been widely popular since the end of 1987. I remember in December 1989 when I visited Shenyang on business, in the railroad car where I sat there were several workers over 30 who were wearing Chairman Mao badges made during the Cultural Revolution. When, in surprise, I asked them why they wanted to wear Chairman Mao badges again, one of them said, "We don't wear them to be attractive, we wear them because of the two lines printed on the back: 'When sailing, rely on the helmsman; in revolution, rely on Mao Zedong Thought.'" Soon afterward they told me that in some places Mao badges are very valuable: The white porcelain ones sell for 80 yuan. Since then I have often heard topics involving Mao discussed in public. For example, I have heard people saying,

"Although Mao Zedong made many mistakes, nevertheless, in his subjective mind, he wanted to explore a development path suited to China"; "In terms of hard work and plain living, and being in touch with the masses, Mao Zedong set the pattern"; "Mao Zedong could send his own son to the head of the line"; "Mao Zedong was very inspiring: He could even, with the use of one word, unify our will, our pace, our actions, and control China's situation"; and so forth. These are by no means isolated cases. And it is based on this "search for Mao Zedong" sociopolitical mentality of the public, that some observant authors and editors have begun to organize and compile a great many works on Mao. This in turn has provided college students a large volume of source materials for understanding Mao. Understanding Mao will initiate their interest in history and cause them to reflect upon the current reality. Consequently, the "discover Mao Zedong" phenomenon among college students has arisen in response to the times. Obviously, there is a natural internal link between the "search for Mao Zedong" trend that became widely popular among college students after the campus uprising, and the particulars of the previous changes in the political outlook of the society.

The second point of analysis: The post-student-upheaval rediscovery of Mao Zedong marks the beginning of a careful reexamination and search for a spiritual pillar by the college students. Young students are a group whose world view takes shape gradually, and whose beliefs are unstable. They are constantly revising and establishing their own personal value systems in concert with the vicissitudes of the sociopolitical scene. Prior to the student upheaval they absorbed a lot of Western social and ideological trends and values. The vast majority of them believe in Western "democracy" and "freedom." The democracy awareness survey taken in 1989 among students at Beijing University demonstrates that by far the majority of the students feel that the United States is the current world's "most democratic" nation. About 204 of the 257 respondents, or 79.3 percent of the total, selected the United States. However, after the period of political unrest, some students' beliefs were shaken and their ideals came into conflict. They began to reflect on why the original intent of the student strike inevitably conflicted with the final result. The student movement started with the intent to oppose official profiteering, to punish corruption, and to strive for democracy, but this movement ended because it was exploited by a tiny minority who stubbornly persisted in promoting bourgeois liberalization. It began with ardent patriotism and the best of intentions and enthusiasm for advancing the reform, but it ended with giving rise to public disorder. Is it any wonder that we really slipped into "mistaken reasoning"? Thus the students wanted to reflect upon and readjust their own former body of knowledge and value system. As a result they discovered that their own mental world was unsuited to the Chinese reality, and that they would have to introduce some "changes" in their minds. Just as one young woman said: "The more we young people study Sartre and other scholarly

Western works, the more hollow we feel. This will only lead to more selfishness and narrowness. After we study the works of Marx, Lenin, and Mao, which are imbued with wisdom and recognize objective and subjective world truth, our innermost beings are replenished and our level of understanding is heightened."

Along with our nation, this generation of young college students is also taking new strides. The students, right now, by looking back at the their previous footprints, are engaged in reexamining their personal goals and faith. They are renewing their understandings on the meanings of "freedom," "democracy," "socialism," and "capitalism." They were adherents of the "Nietzschean," "Freudian," "Weberian," and "Sartrean" fads, and had cast aside "Marx," "Lenin," and "Mao Zedong." But after a period of sharp collisions between ideals and reality, a feeling that Western ideas are not congruent with the Chinese historical order arose spontaneously among students. Why was Mao Zedong able to succeed? Why was China able to achieve such a tremendous transformation under his leadership? China's living reality and students' characteristic eager spirit compelled them to seek themselves by seeking Mao Zedong.

The third point of analysis: That college students' are rediscovering Mao Zedong does not mean they are searching for an extraordinary, charismatic, Mao-style of leader. Rather, they are searching for paths that will lead them to reenter society and enable them to solve China's real problems. And, this search also demonstrates their intense desire to extricate themselves from their perplexing problems, and their intense desire to renew their understanding of Chinese society.

One can say that to entrust the nation's hopes to one leading figure is the traditional political mentality of the Chinese. This mentality still cannot be characterized as completely eradicated in Chinese society today, because it still has grounds for existence. However, the current generation of college students finds this political mentality hard to accept. Conceptually, they seem not to entrust China's hopes to any one person; rather they see "the system" as more important than "the person." "Democracy" and "the legal system" have become a firm common belief. However, in such a huge nation as China, it is very possible that we will never be able to achieve the ideal state that they envision. Let's not mention the far past, but from the recent "campus election movement of 1980" and the "18 September student demonstration" to this recent disturbance, it is obvious that after every student demonstration China steadily progresses on its own characteristic track. Therefore, after the recent student demonstrations, many more students have become more keenly aware of complexities of China's conditions, and the importance of understanding it. Some people feel this way: The students' "switch from Sartre and Freud to Mao Zedong demonstrates that they have begun to turn from idealism to reality, and that they are paying close attention to the actual situation in China. This is certainly not merely an attempt to follow the current fashion." This is a very

reasonable argument. That Mao Zedong, as a Chinese revolutionary, triumphed, has something to do with his personal style, which is that he always proceeded from China's realities and selected the revolutionary principles that suited the national conditions. As early as 1930, in his work *Oppose Book Worship*, Mao pointed out that "Victory in the Chinese revolutionary struggle must depend upon Chinese comrades understanding China's national conditions." Consequently, "we must always understand the social conditions, and always conduct real investigations." It is precisely from this angle that college students are searching for Mao Zedong, or at least that is their intent.

In short, one aspect of this "searching for Mao Zedong" trend that exists in Chinese society today represents a sentiment of cherished remembrance. Another aspect represents young people turning from theory to reality, from spontaneity toward consciousness, and of eagerness to keep forging ahead and to reenter the society. These two aspects are related, but they also have their differences. Over time, these two searches very possibly may develop, each in its own direction, and will have impact on Chinese society.

### Ge Yang Discusses Rise, Fall of CPC

90ON0376A Hong Kong PAI HSING [THE PEOPLE] in Chinese No 209, 1 Feb 90 pp 4-5

[Article by Tseng Hui-yan (2582 1979 3601): "Ge Yang Discusses the Rise and Fall of the Chinese Communist Party"]

#### [Text] At Age 19 Resolutely Threw Herself Into Revolution

Ge Yang, former editor in chief of XIN GUANCHA [NEW OBSERVER] magazine and now in exile in the United States, is a high-level Chinese Communist cadre who has been in the party for 47 years. Her own life experience points up the rise and fall of communism.

Ge Yang, who is 74 this year, established an inseparable link with the party at the age of 19. At the time she was a student at Zhenjiang Normal School in Zhejiang. She joined the secret study group of the Chinese Communist underground organization and, undergoing further ideological influence, she resolutely threw herself into the revolution. In 1937 the War of Resistance Against Japan broke out and Ge Yang joined the Shanghai China Salvation Youth Corps. She conducted some battlefield reporting in the famous "Taierzhuang Battle," and *Record of Breaking Out of Encirclement With the Southern Shandong Army*, the battlefield report she wrote, was included in *Breaking Out of the Xuzhou Encirclement*, edited by Fan Changjiang [5400 7022 3068].

In Chongqing, the rear area of the war, Ge Yang joined the "New Life Women's Leadership Committee" led by Song Qingling and Deng Yingchao and did propaganda

contact work for the Communist Party. She was discovered by KMT [Kuomintang] special agents and just as they were about to arrest her, Zhou Enlai learned of it and immediately arranged for her escape. After Shen Zui [3088 6816], former head of the KMT special agents, who obtained special pardon from the Chinese Communists and became a member of the Chinese People's Political Consultative Committee, expressed his regrets to Ge Yang in his memoirs. The young Ge Yang wore a red coat and Shen Zui modeled the character of the "girl in a red coat" in his television play after her.

Beginning at the time of the New 4th Army, Ge Yang closely followed the Communist Party in making revolution. It has been fully 48 years since the time she formally joined the Communist Party in 1941. She has personally seen Chinese Communist prestige tumble from the peaks to the valleys. When she received me for an interview at a residence in New York where she was staying as a guest, she said, "The rise and fall of communism ran through my whole life, she not only saw the whole process, but also participated in it and was inspired and delighted by it, and at the same time suffered to the full." When the Chinese Communists founded the People's Republic of China in 1949, Ge Yang was deputy editor in chief of the NCNA [NEW CHINA NEWS AGENCY] branch in Shanghai. The editor in chief was Zhang Chunqiao [1728 2504 2890]. Subsequently, due to connections of husband, Hu Kao [5170 5072], who was working at RENMIN HUABAO in Beijing, she was transferred as director of the Beijing office of the Shanghai PLA [People's Liberation Army] newspaper.

#### Declared a Rightist in 1957

In 1950, under the leadership of Hu Qiaomu [5170 0829 2606], deputy chairman of the Standing Committee of the Central Committee's Propaganda Department, the historian Li Shu [7812 3412] founded the magazine XIN GUANCHA. Since he ran it too solemnly, Hu Qiaomu, who was rather liberated at the time and hoped that XIN GUANCHA would become a publication with a fresh style and fashionable pictures and text, replaced him with Ge Yang, who was more liberal in her thinking. She was editor in chief from 1950 until 1957, when she was declared a rightist. The magazine was forced to stop publication in 1960.

Ge Yang said she was declared a rightist primarily on the basis of two charges: One was publishing the article "Is Beijing University Creating a Disturbance" in the premier issue of XIN GUANCHA; the other was that she openly said that she approved of the stand of "let a hundred flowers bloom, let a hundred schools of thought contend" said by Mao Zedong and for this she was sent down to tend pigs in a mountain village south of the Sanggan River in Zhuolu County, Hebei.

In 1969, labeled a "class enemy", Ge Yang was banished to Panjin Farm in Yingkou, Liaoning, called the "great southern wasteland" of Inner Mongolian Desert, for

reform through labor and did not return to Beijing until the rightist issue was "corrected" in 1979 and she immediately began making plans to revive XIN GUANCHA.

In the 10 years of reform and liberalization, XIN GUANCHA magazine played an important role in spreading democratic thought and was praised as "reference information for literary and art circles." When the democracy movement first started in 1989, this publication and Shanghai's SHIJIE JINGJI DAOBAO, which had a heavy democratic coloring jointly set up a forum, chaired by Ge Yang, to mourn the passing of Hu Yaobang. Hu Yaobang's good friends and such well-known scholars as Yan Jiaqi [0917 1367 0366], Su Shaozhi [5685 4801 2535], Chen Ziming [7115 1311 2494], and Li Honglin [2621 3163 2651] were invited to participate and the "report disturbance" began because of this. After the "6 June incident," Beijing mayor Chen Xitong [7115 1585 0681] criticized Ge Yang by name three times in the "Report on Putting Down the Disturbance" and the Beijing GUANGMING RIBAO repeatedly carried articles condemning her as one of the "old-line agitator 'elite'" and "one of the big family currently engaging in bourgeois liberalization."

#### Communist Authorities Break Their Promise

Looking back on a half century of relationship with the Chinese Communists, having gone through so many storms, Ge Yang said with a sigh, "Some people said I believed in Marxism, and would call me Mrs. Marx, and I would respond. Yet the Marxism I approved of was not the doctrine in his book, but his viewpoint of developing change, and, if Marx were still alive, I believe that he also would agree with me and deny many of his own viewpoints. The development of Marxism over the past 70 years has gone against our hopes and run counter to the initial point of departure. The Communist Party authorities have also broken their promises."

She said that the day of her 70th birthday in January 1987 was the very day her name was added to the blacklist of "the struggle against bourgeois liberalization" and the day when Chinese Communist Party Secretary General Hu Yaobang fell from power. On her birthday card she wrote: "At 20 I was in the war against Japan, at 30 I was in the war of liberation, at 40 I was made a rightist, at 50 I was a class enemy, at 60 I was rehabilitated, and at 70 I am against bourgeois liberalization and I am on the blacklist." If we add the present, then at 74 she is an exile abroad.

Ge Yang said that the Communist Party, born two years after the "May 4th" Movement, sprang up in the call for science and democracy and advocated elimination of the system in which man exploited man, and many of the leaders were key players in "May 4th." When she was young, she was influenced by the "May 4th" Movement and was then influenced by the international communist

movement. Very few of the university and secondary school students of that era were not influenced by these movements.

She said that Chinese-style socialism is a self-defeating socialism. Its content is the "four upholds" [keeping to the socialist road, upholding the proletarian dictatorship, the leadership of the Communist Party, and Marxism-Leninism-Mao Zedong Thought] plus reform and liberalization, and this is completely contradictory.

#### Impoverished Dictatorship Is a Defect of Socialism

She pointed out an interesting phenomenon: The more production did not develop, the poorer the country, and the more they engaged in socialism to the point that after World War II the socialist camp emerged. On the surface it appears that socialism is a major threat to capitalism, but actually it is a major spur. One side of capitalism is based on the private property ownership system, which exploits the advantages of competition that entered the new technological revolution and produced greater development, and at the same time absorbed socialism's notion of sharing the wealth and operating welfare projects, improving democracy and the legal system so that society will be prosperous and stable. The defect of socialism is that economically it bears the burden of the public ownership system, has eliminated competition, production is stagnant, and the lifestyle of the people is poor. Politically, it also bears the burden of class struggle, it opposes democracy, and takes the road of dictatorship. As a consequence, developed capitalist countries have systems of private ownership and democracy, undeveloped socialist countries have systems of public ownership and dictatorships. Lenin said imperialism is the last stage of capitalism. Mao Zedong predicted that the enemy becomes worn out day by day, but we become better day by day. These have both turned into political jokes. Who can defeat the Communist Party? In the end is it bound to defeat itself? With the collapse of the entire socialism camp, the last two or three forts will not last long.

Ge Yang finally emphasized that, although people who have grown up on the Chinese mainland opposed the emperor, some idea of imperial power still remains in their minds. Although people who experienced the Mao Zedong era opposed Mao, they could not avoid Mao's style; people who experienced the bitterness of the Cultural Revolution and suffered in the Cultural Revolution unwittingly have been infected by many of the bad habits of the Cultural Revolution, such as factionalism, sectarianism, and being second in command. Democracy movement activists and intellectuals who are now exiles abroad yearn for democracy, but their expressions are often not democratic, and she herself has this defect. Therefore she hopes that everyone will try to overcome it, otherwise democracy will be useless when it comes.

**Suppressed Opinion Poll, Other News From Mainland**

90ON0387A Hong Kong CHING PAO [THE MIRROR] in Chinese No 151, 10 Feb 90 p 33

[Article by Ssu P'ing (1835 5493): "A Public Opinion Poll Not Allowed To Be Seen"]

[Text] **Another Appeal To Allow Hsu Ssu-min To Go to Beijing and Run a Newspaper**

Beijing news: At a New Year's tea party given by the CPC Central Committee, the State Council, and other relevant departments, many figures of democratic parties and groups and many representatives of intellectual circles and students again said: Please give consideration to giving approval to Mr. Hsu Ssu-min [1776 0934 3046], the head of the Hong Kong monthly CHING PAO [THE MIRROR] to go to Beijing and run a newspaper or weekly. The reason is that Mr. Hsu Ssu-min is generally regarded as a patriotic figure. In politics he takes a neutral stand, and his analyses and comments on situations in China and abroad are objective. His reputation is quite high in Chinese political and intellectual circles. The host of this tea party said, "On this matter the Central Committee is asked to make a decision." However, according to insiders, in the near term Hsu Ssu-min will not be allowed to go to Beijing and run a newspaper.

Also, according to a cadre who came to Hong Kong from the mainland, in the middle of December [1989] the interior's DA CANKAO [GENERAL REFERENCE] (only cadres at the department and bureau levels and above may read it; each issue has a number; and it is a high-level internal publication with a takeback deadline) reprinted excerpts of a speech carried in the December 1989 issue of CHING PAO by its editor in chief, Lin Wen [2651 2429], at a forum in Hong Kong on major national affairs. Some cadres in the interior think that this piece of writing was a fairly objective evaluation of Deng Xiaoping.

**A Public Opinion Poll That Was Investigated by the Leadership**

Shenyang news: In September, October, and November last year, several magazines in the three northeastern provinces conducted, in the form of interviews and chats, a public opinion poll of all strata of society. Those polled included 102 cadres at the provincial and city levels and at department and bureau levels; 216 professors, engineers, doctors, and scholars; and 421 basic-level cadres, elementary and middle school teachers, workers, students, policemen, and retired cadres—totaling 739 persons. They were asked three questions: 1) Which era do you think is better—the Deng Xiaoping era or the Mao Zedong era? 2) What country do you think is a friend of China that can be trusted? and 3) What country is a potential threat to China? The answers were:

First, 76.7 percent thought that the Deng Xiaoping era is better than the Mao Zedong era; 16 percent thought that

the two eras were about the same; and 7.3 percent thought that the Mao Zedong era was better than the Deng Xiaoping era.

Second, 53.4 percent thought that the United States was a friend that China could trust; 31.3 percent thought that the Soviet Union was a friend that China could trust; and 15.3 percent thought that there was no country in the world that could be trusted, and that there were only friends who used each other for a time.

Third, 84 percent thought that Japan was a potential threat to China; 9 percent thought that the Soviet Union was a potential threat to China; and 7 percent thought that the United States was a potential threat to China.

It is understood that after this public opinion poll was submitted to a higher level for examination and approval, it was not approved and therefore could not be carried in the press. Individual leaders once investigated who played the "devil," maintaining that there was a big problem in coming up with this kind of question-and-answer format.

**A New Trick in the Phenomenon of Corruption on the Mainland**

Shanghai-Beijing-Tianjin consolidated news: After the 4 June incident some people on the mainland with backing and connections, with the help of relevant personnel in Hong Kong engaging in obtaining properties by creating false household names. They requested permission from the interior to go to Hong Kong to receive property or inherit a legacy. A cadre in Shanghai had no relatives in Hong Kong, but on the pretext of receiving property asked permission to come here. After two months he was given permission to come to Hong Kong and settle down. After arriving in Hong Kong he set up a trading company. Because he had no capital, he relied on connections, and with a brief informal note got a bank to loan him \$1 million. Consequently, people in the banking profession commented in succession that a man who had neither a mortgage nor collateral could get a loan of \$1 million by means of a brief informal note means that he had connections.

In August of last year two "privileged" figures came from Beijing, and they likewise relied on connections to borrow HK\$2 million [Hong Kong dollars] from a bank to start up an industrial company. People in the know say that this is a new trick in graft and corruption under the new situation.

**Political Departments in Industry and Mining Stage a Comeback**

Beijing news: The Chinese Communist authorities recently decided to restore completely the establishment of political departments and political offices and sections in industrial and mining enterprises in order to strengthen propaganda and ideological education. Some out-of-office members of the "whatever faction" and leftists, taking advantage of the reversal of cases,

demanded that an investigation be made to ascertain who proposed and approved the dismantling of the political department—this leading department in ideology. This would mean pursuing Deng Yingchao [6792 3779 6389], Hu Yaobang, and even Deng Xiaoping. Finally, Yang Shangkun personally decided not to investigate, just to study the restoration of political departments. In Beijing, Shanghai, Tianjin, and Wuhan, some members of the "whatever faction" and some rebels, who had been quiescent for a time, were ready to make trouble. They made contacts, shouting the slogans "All those who oppose Mao Zedong Thought and who oppose Chairman Mao will come to no good end" and "Down with the social-imperialists."

### After Martial Law, Outward Calm Masks Inner Tension

90ON0387B Hong Kong CHING PAO [THE MIRROR] in Chinese No 151, 10 Feb 90 pp 40-41

[Article by Ts'eng Ying (2582 5391): "Outwardly Relaxed But Inwardly Tense; Martial Law Not Yet Really Lifted—Going Back on Their Word Chills People's Hearts"]

[Text] Lifting martial law was a move taken by the Chinese Communists to break free from their diplomatic predicament, but the lifting of martial law is actually a case of "outward relaxation but inward tension" and "not yet really lifting martial law." The martial law troops have been changed into more People's Armed Police, and more troops are now stationed in the Beijing area.

The Chinese Communists promised U.S. visitors that they would not investigate people who took part in the democracy movement, but later issued a document saying that only students would not be investigated.

### Outwardly Relaxed, But Inwardly Tense; Martial Law Not Yet Really Lifted

In Beijing on 11 January martial law was lifted, thereby finally announcing the end of the martial law that was imposed on parts of Beijing before dawn on 20 May 1989. Ranking government officials of all countries in the world welcomed the lifting of martial law. U.S. President Bush thought that this was a "very satisfactory step" and "for people interested in the reforms being carried out in China, it cannot be said not to be a positive course of action." British Foreign Secretary Hurd said, "This is good news. This move will contribute to the Hong Kong people's confidence in China." The Thai prime minister said, "This can improve the atmosphere in China, and it is advantageous for all of Asia." On the other hand, the reaction of Beijing residents to the lifting of martial law was flat, and there was no display of particular joy.

However, figures in Beijing intellectual circles had comments. They thought that the lifting of martial law in Beijing was one of the major steps taken to break free

from the diplomatic predicament caused by its imposition, particularly the 4 June incident. However, the lifting of martial law actually was a case of "outward relaxation but inward tension" and "not yet really lifting martial law."

According to them, on the eve of the announcement of the lifting of martial law the authorities changed the status of about 100,000 officers and men of the martial law units into that of the Beijing People's Armed Police, that is, the martial law officers and men doffed their Liberation Army uniforms and put on People's Armed Police uniforms, after which they stayed in Beijing to garrison it. This was not all. The other martial law units did not withdraw to the places where they had originally been stationed, but quartered themselves in the Beijing suburbs. At a news conference in the Ministry of Foreign Affairs on 11 January, Yuan Mu [5913 2606] announced that there were more troops deployed in Beijing and its suburbs after the lifting of martial law than before. It is said that the number of troops in the Beijing area has been increased to 500,000 or 600,000, but it is impossible to confirm the number with accuracy.

After the dramatic changes in Eastern Europe, on 20 December last year Li Peng said at a meeting that the Eastern Europe issue had a market in China, particularly among intellectuals, that it was very possible that turmoil would again break out, and that the factors for turmoil certainly had to be nipped in the bud. Accordingly, the authorities clamped tight controls on organizations, schools, and other units in which worker strikes, student strikes, gatherings, demonstrations, and turmoil could be initiated, and symptoms of these things that had already been discovered were stamped out. Last year, 9 December was the commemorative day for the 54th anniversary of the January 29th Movement. Scoring the martial law order, a number of higher school students in Beijing demonstrated in front of the doors of government organizations in Beijing. As a result, more than 270 of them were taken away by the police. After Luo Gongdang [5012 0364 7825], Kui Shouxi [7608 1108 6007], and Si Gu [2448 0657] were executed on 25 December, there was the sound of firecrackers on the great majority of the campuses in Beijing. A number of higher school students gathered at the entrance to Beijing Broadcasting House to demand a thorough uncovering of major cases of graft. As a result more than 700 of them were arrested.

### Eliminating While Placating

Drawing a lesson from last summer's "turmoil," the authorities think that an effective measure for preventing turmoil is to see that the power of leadership in a unit is firmly in the hands of Marxists. For this reason they want to firmly strike down cadres who uphold bourgeois liberalization, either removing them from office or transferring them elsewhere. A party member cannot oppose the party, as otherwise he will be stricken from the party rolls. It is said that this kind of cadre and

party member, even the sons or daughters of high-ranking cadres, cannot escape if they do not have a very strong behind-the-scenes supporter. In journalism circles, literature and art circles, and other sensitive units, this is being done as fast as possible. Recently there was a personnel shakeup in the Literature and Art Department of RENMIN RIBAO. Ding Zhenhai [0002 2182 3189], director of the Literature and Art Department of the magazine QIUSHI [SEEKING TRUTH], became the director of the Literature and Art Department of RENMIN RIBAO. Shi Ying [4258 5391], editor in chief of the Tianjin magazine SANWEN [PROSE], and Li Derun [2621 1795 3387], XINHUA NEWS AGENCY reporter, were transferred to become deputy directors of this department. In this department, deputy director Miu Junjie [4924 0193 0267] retained his post; director Lan Ling [5663 5044] and deputy director Shu Zhan [5289 1455] were removed from their posts. There was also a major shakeup at the highest level of WENYI BAO. Chen Yong [7115 8673] and Zheng Bainong [6774 0184 6593], became editors in chief under a dual editor-in-chief system; Wu Taichang [0702 3141 2490], deputy editor in chief, retained his post; editor in chief Xie Yongsheng [6200 3057 0524] and deputy editors in chief Chen Danchen [7115 0030 2525] and Zhang Yibing [6945 5669 0365] were removed from their posts. Chen Danchen and Shu Zhan are this writer's friends, and the year before last I separately talked freely with them. Their profound and abstruse views on making literature flourish left a deep impression on me. I do not believe they are "bourgeois liberalization cadres," and when I heard the news I felt sorry for them. Now some "leftist kings" like Chen Yong have again taken the stage—people cannot help heaving a deep sigh over this!

At the same time as they enhance ideology and organize controls, the authorities adopt a policy of placating. After the 4 June incident the economy suffered a setback. Many factories and enterprises paid their idled staff and workers only 70 percent of their wages and also abolished bonuses. There were many complaints from the staff and workers about this. After the dramatic changes in Eastern Europe, the authorities, worried that discontent would lead to turmoil, sent down a central document clearly directing that the staff and workers be given adequate wages and also widely increasing wages by a grade, in order to placate and stabilize the staff and workers. Where was the money for the increased wages to be found? The authorities' directive was: If there is no way to raise the money then think of a way.

#### Public Figures Not Yet Able To Obtain Their Release

At the same time as they lifted martial law, the authorities decided to release in successive batches democracy movement figures in order to further mitigate the strained relations with the countries of the West.

According to a report in a Japanese newspaper, of the 4,000 political offenders (what the Chinese Communists call elements in the turmoil and rebellion) arrested by the Chinese Communists, 60 percent or 2,400 persons

hope to obtain their release. Included among them are well-known intellectuals who are members of the anti-system faction. The releases are to be carried out in stages. On 18 January the Chinese Ministry of Public Security announced the release of 573 persons who had taken part in last summer's "rebellion" and who had repented and mended their ways. This move was welcomed by countries of the West.

However, intellectual circles in Beijing are not optimistic. The reason is that not one of those released was an activist who took part in the democracy movement or a well-known intellectual. They know that, although Yu Haocheng [0060 3185 2052], former head and concurrently editor in chief of the Ministry of Public Security's Masses Publishing House and a well-known jurist, was for a time under house arrest, in the end he was thrown into Taicheng Prison. The release of Dai Qing [2071 2532], a well-known GUANGMING RIBAO reporter, which for a time was rumored, is also not a fact. Chen Xiaoping [7115 1420 1627], deputy chief of the Teaching and Research Section of the China Political Science and Law University and a democracy movement activist, has already been transferred to Beijing Prison, where he is obviously serving a term of imprisonment.

Intellectuals find it most difficult to convince others that the great majority of those who took part in last summer's democracy movement, including many Communist Party members and state cadres, at that time hoped only to punish severely the graft and corruption that was destroying the socialist system and that they did not want to overthrow the current regime and strike down the entire Communist Party. However, all of them, without exception, were exposed and criticized. They consider both of the following statements to be implausible: Demanding that individual leaders be removed from office means wanting to overthrow the entire regime; and the general secretary at that time (Zhao Ziyang), a member of the Communist Party who sympathized with and supported his party, was antiparty.

#### Going Back on His Word Chills People's Hearts

It is said that last year, when U.S. visitors were in China, Li Peng pledged to them that none of the people who had taken part in the democracy movement would be investigated. Thus, everyone thought that the policy had been relaxed. Unexpectedly, within several days an internal secret document was sent down explaining that Li Peng's pledge was limited to students. The meaning was that cadres, staff, and workers would be investigated. Going back on his word in this way, deceiving and cheating foreign visitors and deceiving and cheating the people—how could this not chill people's hearts!

According to people in the know, this affair reflected the differences existing at the highest level of the Chinese Communist leadership with regard to the work of checking out people. They also say that differences at the highest level with regard to other aspects have been revealed. According to them, a certain high-ranking

official said that "a certain large city went in for 'tall buildings and wide streets,' and used the method of laying its cards on the table to get the funds for this purpose," obviously pointing to these differences. Not long ago Li Ruihuan [2621 3843 3883] said, "We must oppose bourgeois liberalization and we must also engage in socialist modernization, but we cannot do these things rigidly." A certain high-ranking official advocated that all personnel connected with Hu Yaobang and Zhao Ziyang be replaced. But Jiang Zemin opposed this idea, maintaining that by so doing the range of attack would be made too broad and would be detrimental to mobilizing all positive factors. The official said that this pointed to Jiang Zemin's practice of building up his own influence. A recent CPC Central Committee document time and again issued this warning: "We must seek

common ground while reserving differences, and we must not allow contradictions to continue to be enlarged, in order to avoid courtly destruction." Its focused nature is extremely clear. It is, as the official asserted, an indication of a willingness to cooperate and a willingness to be an assistant.

Also, according to this person in the know: The news that "Zhao Ziyang had fallen seriously ill and been taken to a hospital" is not accurate. Zhao Ziyang is not ill. His family is still in Beijing, but they have moved to Zhongnanhai (note: there was a report on this in the October 1989 issue of CHING PAO) and now live in the place that Hu Yaobang did when he was alive. Hu Yaobang's family has gone to another place.

## NATIONAL AFFAIRS, POLICY

### State-Owned Assets Suffer Serious Losses

90CE0004A Beijing JINGJI RIBAO in Chinese  
21 Feb 90 p 2

[By Lu Ping (7120 1627)]

[Text] Since the founding of New China, the state has, through direct input, formed a huge amount of state-owned assets. In the budget alone, the total original value of presently existing state-assets in state-owned enterprises, administrative units, and institutions is something more than 1.6 trillion yuan. This represents the foundation stone of China's socialist system, the main source of state financial revenue, and the principle material base for developing the socialist economy.

The losses and waste of state investments are serious. Because many enterprises engage in duplicate construction, indiscriminately build and indiscriminately import equipment, a vast amount of production equipment sits idle. According to statistics, in the present state budget alone, the value of fixed assets in state-owned industrial enterprises not being used, not needed, or sealed for safekeeping comes to 25.8 billion yuan. If other enterprises within the budget and the large number of state-owned enterprises outside the budget are added, the amount of idle and semi-idle assets comes to more than 100 billion yuan, according to calculations from representative surveys by certain localities. The result has been that a vast amount of state investment has still not been transformed into effectively usable state assets.

Controls are chaotic, and it is not clear what is owned. In an inspection of 958 units directly subordinate to the city in Xiangfan City, 77 percent of the assets listed on their property records could not be accounted for, and the unlisted assets of administrative units and institutions under the jurisdiction of industrial, transportation, and construction departments were 5.2-fold their listed assets. In another survey in Changchun, the amount of unlisted assets of various categories was more than 20 percent greater than listed assets. If we use this as our basis for calculation, the total amount of unlisted assets throughout the country is about 300 billion yuan. This type of situation puts a large amount of state-owned assets and the benefits that might accrue from them outside the supervision and control of the state and, at the same time, creates a distinct advantage for those units and individuals who have usurped them.

Large quantities of state-owned assets are eroded away. In a pilot program for a share-owning system, certain enterprises have treated as their own the profits and interest left over down through years from production development funds, from special funds allocated by the state, from the assets created by loans, and from depreciation funds, transformed them into stocks owned by the employee collective, and shifted the income from the assets into the hands of the collective. The shares of the individuals earned both interest and dividends, far

higher interest and bonuses than the rate of profit earned from enterprise funds. In Sino-foreign joint ventures, when the assets of the Chinese side have not been appraised, they are entered on the shares far below their net book value, and for the intangible assets, there is even less concern for their value. "We're letting our valuable fertilizing water drain into someone else's field." In enterprise contracts, some of those making the contracts have arbitrarily lowered the value of state-owned assets or they illegally divide up the income derived from the premium price obtained from the difference in the original price of equipment and that created by inflation. They even sell off state-owned assets to pay worker and staff personnel wages and to give them bonuses, or they use a reduced depreciation rate to falsely inflate profits, thereby shifting a portion of the value of state-owned assets to the contract income of the enterprise and the individuals. If we let this situation continue to spread, it will inevitably shake the very foundation of the state-owned system, bring about unfair ownership of assets, and aggravate such social problems as unfair distribution.

The owners have not established an effective system for keeping managers within bounds. First, the lack of any effective supervision and control over the use by enterprises of leftover profits and interest has caused vast amounts of accumulated funds to be shifted into consumption funds. According to representative surveys conducted in a number of localities, in recent years only about 20 percent of leftover profits and interest are spent by enterprises for development of production. Second, the assets owner has not instituted a system to keep the increase in wages and bonuses of enterprise employees within bounds. Bonuses and other forms of compensation for employees have risen precipitously. The increase in income from wages has far exceeded any increase in labor productivity. In 1988, the average wages of employees in units under ownership by the whole people rose 29 percent, whereas labor productivity for all personnel only increased 6.8 percent. This created the unusual situation in which enterprises were suffering from increased losses while employee wages and bonuses were rising. Finally, there is a lack of necessary and effective restraints on loans to enterprises for fixed assets investments. The debt ratio of enterprises is excessively large, and their assets earnings situation grows worse each day. Statistics show that in 1988 the balance for capital construction loans and special category loans to state-owned industrial enterprises within the national budget reached 169.3 billion yuan, a four-fold increase compared to 1984. That same year, the loan amount before taxes that was repaid came to 18.8 billion yuan, a 2.7-fold increase compared to 1984. The loan balance and the repaid loans averaged proportional increases of 30 and 40 percent or more each year. During the same period, the realized profits of enterprises only increased 3.4 percent. This demonstrates that loan repayments definitely do not derive from newly increased profits of loan projects but rather from delving into the operating earnings of the original state-owned assets.

There has been a decline in operating earnings of assets and a steep rise in losses. In 1985, the rate of profit for state-owned industrial enterprises within the budget was 13.9 percent. In 1988 it fell to 10.5 percent, causing in one year a decline in the earnings of state-owned assets of 23.1 billion yuan. In 1988, the losses of state-owned industrial enterprises increase one-fold compared to 1979, reaching 7.42 billion yuan. If we add in the losses of state-owned commercial, food, and trade enterprises, the total enterprise losses for the period increased from 11 billion yuan to 52.06 billion yuan.

The problems described above with respect to management and administration of state-owned assets not only seriously limit the effective development of the national economy, they also seriously obstruct bringing into play the superiority of a socialist economy. If we do not promptly and thoroughly make a decision to deepen reform and perfect mechanisms, and take resolute and effective measures to carry them out, then the sustained, stable, and coordinated development of the national economy will be seriously affected.

#### **Policies of Stability Urged To Control Economic Cycles**

90CE0004B Beijing JINGJI RIBAO in Chinese  
23 Feb 90 p 3

[By Sun Kena (1327 0668 1226)]

[Text] Pertinent data make clear that in the last 40 years China has experienced seven complete economic cycles and is at present in its eighth, making a transition from a period of upsurge to a period of contraction. In China, every economic cycle starts with economic expansion. The increase in output and sudden advance in its growth rate give rise to the following characteristics in China's economic growth: 1) a very rapid increase in the total social output value; 2) an economic growth that is realized by reliance on heavy input; 3) a relatively low unit input-output level. It cannot be denied that expanded investments are the force that sustains economic growth, that the interaction of these investments promote and bring about the circular flow of our national economy, and that they form the core mechanism producing China's economic cycles.

It is generally recognized that the main reasons for China's expanded investment have three aspects: 1) the government having placed its hopes in rapid economic growth; 2) the softening of financial and monetary restraints; 3) only investing in profitable enterprises that present no risk. However, the mechanisms producing economic cycles are not just economic in their aspects. The ups and downs of China's economy have always been to varying degrees accompanied by political influences, a fascination with planning, biased policy decisions, and an impatience for results. Of course, these do not constitute tangible investments, but they are a spiritual force in the expansion of investment. Because policy decisions are not scientific and because government action is not normal, the leadership is often

imbued with a determination to pursue quotas everywhere from top to bottom. An impatience for results is one of the main reasons for China's economic failures and has deeply affected the operation of the economy.

Marxist theory of social reproduction tells us that macroeconomic equilibrium is a prerequisite for overall equilibrium. Any economic contraction under social conditions contains within itself the objective requirements of the structure. All readjustments to the Chinese economy have as their deep-seated cause structural imbalances. The future adverse consequences of structural imbalances are much more grave than those of overall imbalances. Structural contradictions are not likely to disappear as a result of economic retrenchment. Take what is happening now, for example. The difficulties with improvement and rectification are not in the least going to be alleviated just because we become thoroughly decisive and just because we overcome our impatience for results. Structural contradictions are forcing us to face the two difficult choices of "decentralization" and "centralization." If we only focus on readjusting overall regulation and control and on the amount of funds we input and do not elicit a sensible evolution of the industrial structure, we will be condemned to suffer the regrets of all the rectifications of the past.

Demonstrating the existence of the mechanisms that produce economic cycles in China is not to deny the objective necessity of the natural and technical causes of economic cycles. As far as we are concerned, how we stabilize economic fluctuations within a certain range is of more practical significance than doing away with economic cycles.

According to relevant calculations, 5.7-9.7 percent would be a reasonable range of economic growth for China in the next few years. Based on estimates for each 100 million-yuan amount spent from the national income on energy, steel, cement, and lumber; while at the same time, taking into consideration the positive factors of technical progress and structural readjustment, we can achieve about a six percent guaranteed economic growth rate for basic industry. On this basis, we can, using a six percent growth rate as the basic standard (taking into consideration the objective fact that socialist economies develop relatively rapidly, this could be one to two percentage points higher), gradually obtain an approximate limitation on China's future economic fluctuations in the five to ten percent range. In this way, the largest extent of the rise and fall in the economy would not exceed five percent. This is not only lower than our average decline in the past, it is even lower than the average range of fluctuation in capitalist countries. Even if it exceeds six percent during a period of expansion or goes below 6 percent during a period of austerity, it will not cause violent fluctuations in the flow of the economy and will thus allow the cyclical process to return to normal. In view of the objective limitation in the growth of China's input of key factors and the downward slide for years on end of productivity with respect to consolidated key factors, our economic growth rate could be

maintained at about the six percent level within the near term. It cannot rise very rapidly. In this regard, we have to be fully prepared in our thinking. China's economy is headed toward stability. This does not absolutely have to be a painful process. The crucial question is not how we get through the low points in the short term but whether we can come to regard stability as a basic strategy in our economic development. Strict avoidance of "large swings" has not just been a historical lesson that we have learned, it is also a test that we are now facing.

Experience has shown that, to a certain extent, economic stability must have as a prerequisite the coefficient of certain social insurances. A stable social environment is indispensable for the continued stability of the economy. If in the future we cannot provide the necessary guarantees with respect to the following factors, the stability of the economy will be subjected to shocks from outside the economy that will be difficult to endure. Therefore, maintaining the stability of the economy must be predicated on social guarantees.

First, political order and solidarity. Without large political campaigns, there will be no large-scale disturbances and no large-scale warfare. This constitutes the most basic guarantee for China's economic stability and is the basis for instituting the other guarantees.

Second, putting government policy decisions on a scientific basis and normalizing government actions. We must perfect informational, implementing, and enforcement systems that will ensure that policy decisions are made scientifically so that we can institutionally reduce and avoid errors in policy decisions and the series of abnormal actions that such errors have caused.

Third, a consistent guiding ideology for economic construction. We paid a heavy price to learn about the instability that results when there is complacency about economic development. Whether the workings of the economy can move smoothly away from the high up-and-down swings depends on whether our leadership at all levels can constantly bear in mind the lessons of the past not repeatedly commit the error of being too impatient for results.

To maintain economic stability, we must pay attention to our choice of macroeconomic policies. Western macroeconomic measures of regulation and control have been "introduced" in China for a long time. However, are Western policy measures compatible with China's situation? Should we be using short-term policies to implement macroeconomic regulation and control or should we be using stable economic policies to maintain long-range economic objectives? This fundamental question has not evoked widespread interest of people. The mutually related consequences of macroeconomic imbalances and the lack of balance in policy planning since 1984 have made China's economy extremely unstable. Practice has shown that a lack of uniformity in the mechanisms that need to be created makes it impossible to copy the needed control measures. The shaping of

social requirements in China is entirely at the initiative of the government. We rely completely on policy measures to carry out short-term regulation and control. We neglect the essentials to attend the trifles with scant benefit and numerous drawbacks. Since reform, monetary and financial policies, because of vague and imprecise slogans, moved toward flexibility and multiple change. This was, of course, a kind of progress. However, this process contained some problems that were not easily overlooked. The biggest fault in the monetary and financial policies has been their choice to rely entirely on "inclination," thereby relegating policies of stability to a forgotten corner. The bias of a macroeconomic policy has, from the opposite side, shown that China's economic policies should be stable and not changeable and that our fundamental choice should be balanced economic policies.

#### Economists Discuss Trends for 1990's [Part One of Four]

90OH0302A Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 1, 2, 1 Jan  
90 pp 71-75

[Minutes of a symposium of Chinese economic experts, compiled by staff reporters stationed in Beijing: "China's Economic Trends in the 1990's"—part one. Item 90OH0322 contains part two, and 90OH0365 (to be published at a later date) contains parts three and four.]

[Text] To usher in the 1990's and discuss China's current economic problems and future development, Hong Kong's Economic Reporter invited 12 noted economic experts and scholars in Beijing to attend a symposium entitled "China's Economic Trends in the 1990's" in Beijing Restaurant between 3 to 7 pm on 5 December 1989. Major topics at the symposium were:

1. The trends of China's economic development in the 1990's.
2. How do we overcome current economic difficulties and ensure the sustained, stable, and coordinated development of the economy?
3. How do rectifying economic order, improving economic environment, and the deepening of the reform promote each other?
4. How do we adhere to the open policy under difficult internal and external conditions?
5. Will the renewed emphasis on the planned economy affect the market economy which has just started?
6. Development prospects for special economic zones and coastal areas.
7. Outlook on economic and trade relations between inland China and Hong Kong and Macao in the next 10 years.

Attending this symposium were Xue Muqiao [5641 2550 2890], China's most experienced and noted economist, as well as other economic experts and scholars working at such central organizations as the Financial and Economic Committee of the National People's Congress, the State Planning Commission, the State Restructuring of the Economic System Commission, the Economic, Technological, and Social Development Research Center of the State Council, the Ministry of Foreign Economic Relations and Trade, the Hong Kong and Macao Affairs Office of the State Council, the Chinese Academy of Social Sciences, and the Chinese Society of Statistics.

List of names of economic experts attending the symposium:

**Xue Muqiao:** Noted economist and advisor of the Economic, technological, and Social Development Research Center of the State Council.

**Yang Bo** [2799 3134]: Vice chairman of the Financial and Economic Committee of the National People's Congress.

**Liu Guoguang** [0491 0948 0342]: Vice president of the Chinese Academy of Social Sciences.

**Wang Mengkui** [3769 1125 1145]: Deputy director of the Economic Research Center of the State Planning Commission.

**Gao Shangquan** [7559 1424 0356]: Vice chairman of the State Restructuring of the Economic System Commission.

**Li Chengrui** [2621 2052 3843]: Honorary president of the Chinese Society of Statistics and professor of the People's University of China.

**Ji Chongwei** [1323 1504 1218]: Permanent secretary of the Economic, Technological, and Social Development Research Center of the State Council.

**Yang Peixin** [2799 1014 2450]: Advanced researcher of the Economic, Technological, and Social Development Research Center of the State Council.

**Wu Jinglian** [0702 2417 8834]: Researcher of the Economic, Technological, and Social Development Research Center of the State Council.

**Zhang Peiji** [1728 1014 1015]: Director of the Institute of International Trade of the Ministry of Foreign Economic Relations and Trade.

**Luo Jiahuan** [5012 1367 2970]: Director of the Hong Kong and Macao Institute of the Hong Kong and Macao Affairs Office of the State Council.

**Dai Yuanchen** [2071 0955 2525]: Researcher of the Institute of Economics of the Chinese Academy of Social Sciences.

**Chen Bojun** [7115 0130 6874], manager of Hong Kong's Economic Reporter, presided over the symposium.

While introducing the intention of this symposium, he pointed out: When the 1990's was coming, the Fifth Plenary Session of the 13th CPC Central Committee emphatically studied and set forth the basic principles for China's economic development and made a decision to further rectify the economic order, improve the economic environment, and deepen the reform. This is a major event of broad concerns to the people at home and abroad. As I recall, 11 years ago, namely December 1978, the Third Plenary Session of the 11th CPC Central Committee defined the general principle of the reform and open policy centered on economic construction and substantially changed the economic outlook of China. Under this new situation, Economic Reporter invited two delegations of Chinese economic experts headed respectively by Xu Dixin [6079 3321 2450] and Xue Muqiao to come to Hong Kong in March and October 1980 to attend two discussions. The general topic of one discussion was "China's Economy in the 1980's"; the other was "the New Trends of China's Economic Development." These two discussions were very popular and attracted great attention at home and abroad. Now that 10 years have passed we think that picking up the 10-year-old topic and talking about China's economic trends in the 1990's should be of great significance.

Experts spoke enthusiastically at the symposium which lasted for four hours. They analyzed the current economic situation and discussed future development trend. At the end, they asked the revered Mr. Xue Muqiao to sum up the symposium. Now we have compiled the records of speeches at the symposium and will publish them in four issues in the order in which the speeches were delivered. Please watch for their publication.

**"China's Economy Will Witness A New Situation of Sustained, Stable, and Coordinated Development in the 1990's"—by Yang Bo, vice chairman of the Financial and Economic Committee of the National People's Congress.**

Today is 5 December. And 26 more days later, it will be the 1990's. The first topic of the symposium is "the trend of China's economic development in the 1990's." I would like to talk about some of my personal views on this subject.

In the 1980's, China's economy made enormous development, and all fields scored achievements attracting world attention and entered a new stage. This is recognized by all of us. But we need not to deny the fact that some problems which cannot be ignored have also arisen and some fairly serious difficulties have existed in China's economic life in recent years. They are mainly prominent inflation, excessive price increase, consecutive years of deficits, overheated economic growth, and dislocation of major sectors of the national economy. These problems and difficulties are restricting the further sound development of the national economy. The Fifth Plenary Session of the 13th CPC Central Committee, which was convened not long ago, emphatically

discussed the issue of economic work, correctly analyzed current economic situation, scientifically summed up past experiences, and adopted the "Decision on Furthering Rectification and Improvement and Deepening the Reform." Not only did it set forth concrete goals to be achieved and major measures to be adopted in the near future in the rectification, improvement, and the deepening of the reform, but more importantly it clearly pointed out that from now on China's economic development must adhere to the guiding ideology of sustained, stable, and coordinated development for many years to come. I believe that as long as we implement the general line of "one center and two basic points" in an all-round and correct way, resolutely and conscientiously follow the requirements of the decision of the Fifth Plenary Session, clarify the guiding ideology, and implement concrete measures, China's economy will inevitably take a fresh turn for the better soon and the 1990's will witness a new situation of sustained, stable, and coordinated development and enter a new stage. In the previous period, there might be some comrades who did not have or lacked confidence in the prospects of China's economic development, wondering if we could achieve the goals of quadrupling the gross national product and raising the people's living standards to the comfortably well-off level by the end of this century in accordance with the "three-step" strategic plan, which was set forth by Comrade Deng Xiaoping. But after the Fourth Plenary Session of the 13th CPC Central Committee elected the new central leading group headed by Comrade Jiang Zemin and the Fifth Plenary Session of the 13th CPC Central Committee summed up past experiences and adopted relevant decisions, people's confidence soared on a broad scale. I am optimistic about the trend of China's economic development in the 1990's.

In the 40 years following the founding of the PRC, China's economy experienced several setbacks while advancing with giant strides. One of the most important experiences and lessons is that we were overanxious for quick success. Whenever the development was smooth and the situation was very good, we often began to drift away from national conditions, advocated going all out and beyond the ability of the country, and blindly pursued high speed. But things turned out to be contrary to our wishes. We started projects fast but we were forced to readjust them two or three years later. Starting and stopping like this caused us grave losses. This situation appeared first in the late 1950's and the early 1960's, then in the late 1970's and the early 1980's, and then again in the late 1980's. It was indeed a profound lesson. The fifth plenary session scientifically summed up past experiences and clearly pointed out that from now on under all circumstances we must adhere to the guiding ideology of sustained, stable, and coordinated development for many years to come and that the previous practice of going all out in violation of the objective law of economy and violent economic fluctuations are no longer allowed. It also made this point a basic criterion for judging the performance of our economic work and the size of the achievements of the reform. A clear

guiding principle and unified thinking and understanding are the basic guarantee for China's economy to advance smoothly along the path of sustained, stable, and coordinated development in the 1990's.

After the principle is clarified, concrete policies and measures in all fields should also catch up accordingly and carry out the principle from the beginning to the end. Judged from the rectification and improvement situations in recent years and from the work arrangements and concrete measures adopted by the new central leading group in recent months, remarkable results have been achieved. Overheated economic development has begun to cool off, soaring inflation rate has been curbed and begun to decline, the increase of commodity prices has slowed down, the prices of essential consumer goods have been basically stabilized and reduced in some cases, and the serious dislocation of major economic sectors has also begun readjusting. First, let us take a look at the relation between agriculture and industry. As two major production sectors of the national economy, agriculture and industry are like two wheels of a carriage which should be rotating simultaneously and advancing in tandem and coordination in order to go fast and steadily. But because we made an incorrect judgment of agricultural situation a few years ago, the concept of taking agriculture as the basis has become dim in actual work and measures to aid agriculture have been weakened. As a result, one wheel rotated fast and the other slow; one wheel was high and the other low—the relation between agriculture and industry was imbalanced. Agricultural production, especially grain and cotton output, stagnated for several consecutive years, which has hindered to a great extent the sound development of the national economy as a whole. Now the situation of overheated agriculture and overheated industry has begun to change. The CPC Central Committee and the State Council have repeatedly emphasized that we must firmly establish the concept of taking agriculture as the basis of the national economy as a whole and urged all trades and professions to vigorously support agriculture. In addition to stabilizing rural policies and vigorously supporting scientific farming, the CPC Central Committee and the State Council have also decided to increase agricultural input. The widespread mass fever over farmland capital construction this winter is a very good sign of revitalizing agriculture. We cannot turn agricultural stagnation around without further improving the conditions of agricultural production. Agricultural experts estimate that the current level of China's comprehensive agricultural productive forces is about 800 billion jin of grain and 800 billion dan of cotton during a normal year. In order to enter a new stage, we must increase agricultural input while stressing scientific farming, make great efforts to improve production conditions, and gradually solve the two problems of drought and flood that affect China's agricultural production the most. The agricultural input of state and local governments has increased this year. It will continue to increase next year and the years to come. The monetary and labor input of the broad masses of peasants will also continue to increase.

Once the principle of relying first on policy, second on science and technology, and third on input is implemented, there will be a reliable guarantee for the steady increase of agricultural production. When agricultural production increases steadily and the two wheels of agriculture and industry roll simultaneously and advance in tandem and coordination, there will be a reliable foundation for the sustained, stable, and coordinated development of the national economy as a whole.

Second, let us take a look at the relation between the basic and the processing industries within the industrial sector. In the past few years, the relation between the two was also imbalanced. The processing industry developed too fast while the basic industry such as energy, communications, and raw materials was slow in comparison. Such development—one fast, one slow—hinders to a great extent the coordinated development of the national economy as a whole. The decision on furthering rectification and improvement and deepening the reform adopted at the party's fifth plenary session clearly points out that we need to vigorously readjust industrial structure, increase effective supply, strengthen the stamina of economic development, overcome the phenomenon of blindly developing the processing industry, strive to maintain the steady growth of the production of energy and important raw materials industries, and shift the focus of future state investment to such basic industries as energy, communications, and raw materials and infrastructure. I believe that when this demand is met and the state's industrial policy is carried out in an all-round way, the internal structure of industry will gradually become rationalized, the previous imbalance between the processing and the basic industries will be changed for sure, and the stamina of economic development will be increased undoubtedly, thereby guaranteeing the sustained, stable, and coordinated development of the national economy as a whole.

Third, let us take a look at the relation between consumption and accumulation. In the past few years, a most prominent problem in China's national economy has been total social demand far exceeding total social supply, overextended construction scale, and excessive growth in consumption. The double inflation of accumulation and consumption has resulted in the overdistribution of national income and a series of contradictions in economic life. During the campaign to rectify economic order, improve economic environment, and deepen the reform, we will gradually solve the problem of the overdistribution of national income, alleviate the contradiction between total social demand and supply, resolutely reduce the scale of capital construction to bring it in line with the ability of our country, strictly control consumption fund to keep it from growing too fast, keep the growth rate of consumption lower than that of national income and labor productivity, and gradually rationalize the relation between accumulation and consumption. In this way, relations restricting economic development will be smoother and the overall situation of the national economy will gain more initiative.

In sum, I think that the relation between China's industry and agriculture, between the basic and the processing industries, and between consumption and accumulation will become balanced, and that the contradiction caused by total social demand obviously outstripping total social supply will also be gradually alleviated. On the basis of production development, China's national strength will grow further and such current problems as inflation and financial deficits will also be resolved sooner. In the 1990's, China's economy will present before the people of the world a new situation of sustained, stable, and coordinated development and ascend to a new level in giant strides by achieving the goals of quadrupling gross national product and raising the people's living standards to the comfortably well-off level. I am optimistic and fully confident about this.

**"Scale New Heights" by Li Chengrui, honorary president of the Chinese Society of Statistics and professor of the People's University of China.**

I am optimistic about China's economic development in the 1990's. After another 10 years of efforts, our gross national product will redouble by the end of this century after it was doubled in the 1980's. Our people's living standards will reach the comfortably well-off level, our country's economic strength will grow further, and foreign economic exchanges will expand further. Of course, in order to reach this goal, we must be able to do the following two things: 1) we should always adhere to the correct guiding ideology and never become overanxious for quick success; 2) we should carry out in-depth the reform of economic system and, under the prerequisite of adhering to the planned economy, successfully integrate regulation by plan and regulation by market.

In the 1980's, we achieved the first goal of China's economic development strategy and basically resolved the people's problem of not having enough to eat and wear. The reform and the open policy injected new energy into the economy and the gross national product more than doubled. All these major achievements are recognized by all of us. On the other hand, however, many mistakes were made in work. Originally, the strategic plan of the decision adopted at the 12th Party Congress in 1982 stipulated: "The first 10 years should be used mainly to lay a solid foundation, save strength, and create conditions. The second 10 years should be a period where we revitalize the economy." This means that we should advance slowly in the 1980's in order to strengthen such major strategic points as agriculture, energy, communications, science, and education. Moreover, we should carry out the reform of economic system and smooth out economic relations in order to lay a solid foundation for speeding up development in the 1990's. But later during the implementation, especially in recent years, we committed the mistake of being overheated and overanxious for quick success. Although we have made great achievements, we have also paid two enormous prices: 1) the four major strategic points have not been strengthened and have become the "bottleneck" that restricts the development of the national economy;

2) economic relations have not been smoothed out and much confusion has occurred, especially in the sphere of circulation. The common result of these two is prominent inflation and a decline in overall efficiency.

Under this circumstance, when we enter the 1990's, first of all we should concentrate our energy on continuing to rectify economic order, improve economic environment, deepen the reform, readjust the national economy, and eliminate inflation. Initial results have been achieved in current rectification and improvement, inflation rate has declined rapidly, and the situation of demand outstripping supply has been somewhat alleviated. In the meantime, some new difficulties have also appeared. These difficulties, however, can provide pressure and motive power for readjusting the relations of proportion, improving product quality, increasing economic returns, and striving to achieve a turn for the better in the economy. It looks like that after three years of readjustment, the national economy will be out of trouble; after another two to three years of consolidating the results of readjustment, the national economy will get better and better everyday. If we can better coordinate the relations between major sectors in the late 1990's, the national economy will witness a new situation of vigorous development. By then, as long as we keep a cool head and do not commit the mistake of being overanxious for quick success, our national economy may be able to get on the easy path of long-term sustained, stable, and coordinated development.

In the 1990's, the reform and the open policy will be upheld and perfected. This is determined by the need of economic development. Our reform can only be the improvement of socialist system. Under the current condition that some confusions exist in economic order, it is necessary to strengthen the state's macroeconomic control, but not returning to the stifling overcentralization before the reform. It will provide a good external environment for the sound development of unified socialist market and strengthening the stimulating and restricting mechanisms of enterprises. During the period of rectification and improvement, the function of planned regulation should be strengthened, but the function of market regulation should also be properly utilized. After the task of rectification and improvement is fulfilled, state plan should still be used to guide the situation as a whole in utilizing the function of market regulation. Such a planned commodity economy will not hinder China's absorbing foreign capital. Instead, it will create better conditions for absorbing foreign investment.

Today, China's economic strength is much greater than before. It now has even more experience in construction. Especially after the Fifth Plenary Session of the 13th CPC Central Committee summed up positive and negative past experiences, the understanding of cadres at all levels has become more unified. This makes it fully possible for China's national economy to scale new heights and reach the set goal in the 1990's.

**"Integrate Rectification and Improvement With the Deepening of the Reform" by Gao Shangquan, vice chairman of the State Restructuring of the Economic System Commission.**

At present, China is implementing the guidelines of the Fifth Plenary Session of the 13th CPC Central Committee and the "Decision on Rectification, Improvement, and the Deepening of the Reform." Today whenever we mention rectification and improvement, people think that we are going backward and returning to the old path. This is a misunderstanding. When we implement the guidelines of the Fifth Plenary Session, we should first solve this problem. To really integrate the rectification and improvement with the deepening of the reform and understand that the two are not opposite but complementary to each other, we need to study and handle this issue from theoretical and realistic points of view. Otherwise, it will be difficult to implement in-depth the decision of the central government.

How do we integrate rectification and improvement with the deepening of the reform? we need to unify our understanding on the following few points:

1. Rectification and improvement are carried out under the principle of adhering to, not doing away with, the reform and the open policy. With regard to this issue, party and state leaders have reiterated many times that the reform and opening principle and policy remain unchanged and that the reform measures adopted by the CPC Central Committee and the State Council should be implemented continuously. Judged from the course we took in the past 10 years and the achievements we made, we should adopt the following interpretation. Our achievements in the 10 years of reform are recognized by the whole world, our economy has developed continuously, our national strength has increased prominently, the living standards of urban and rural areas have increased obviously, and the outlook of our nation has changed substantially. No one can deny these facts. We should fully affirm this and unify our understanding on this issue. Since the 10 years of reform scored so many achievements, there is no need for us to change the reform and open policy. We must maintain the stability and continuity of the reform.

2. Rectification and improvement create conditions for further deepening the reform. While many achievements were made in the 10 years of reform, many problems, such as the loss of overall control, structural imbalance, inflation, and confusions in economic order, indeed existed in economic development. This is the reason why rectification and improvement are urgently needed. After these problems are solved, there will be a better environment for deepening the reform. It is impossible for the reform to progress smoothly and achieve the desired effect in the environment of an unstable economy and society. Judged from this, rectification and improvement do not contradict the deepening of the reform. During the period of rectification and improvement, we should make sure that the reform is conducive

to fulfilling the goals of rectification and improvement. This is why we say that being passive about rectification and improvement is the same as being passive about the reform.

3. Rectification and improvement need the coordination of deepening the reform, and some contents of rectification and improvement are also the contents of deepening the reform. For instance, establishing a macroeconomic regulation and control system is a requirement of rectification and improvement as well as a content of deepening the reform. For another instance, to solve the problem of structural imbalance and reach the optimum structure, we should not only formulate an industrial policy to specify what to support, what to restrict, and what our goal is but also concentrate on establishing a mechanism to optimize industrial structure. If we fail to establish such a mechanism, we may be able to keep things under control today, but we will lose control again today. We have had lessons in this regard. Before, we let inflation lead to deflation, and deflation to inflation again. To avoid going back to this old path, the most basic thing to do is to establish a mechanism to optimize industrial structure and a mechanism that can keep inflation from reviving. All these are the contents of rectification and improvement as well as of the deepening of the reform.

4. Rectification, improvement, and deepening the reform themselves are not the objective. The objective is to realize long-term sustained, stable, and coordinated economic development and switch economic work to the track centering on increasing efficiency.

The fifth plenary session urged us to firmly establish the concept of sustained, stable, and coordinated economic development. This is not just talk. Rectification, improvement, and deepening the reform should all render service to realizing the sustained, stable, and coordinated development of the national economy, promoting the modernization of the motherland, and accelerating the development of productive forces. Rectification, improvement, and deepening the reform should be carried out around this goal. In this way, they will not be carried out just for the sake of carrying them out.

Our history shows that we have suffered many losses and paid great prices in the past during the great ups and downs. During the 1953-78 period, China's total social output value increased on the average of 7.9 percent a year. The highest record was a 32.5 percent increase in 1958, which was 24.7 percentage points higher than the average rate. The lowest record was a 33.5 percent decline in 1961, which was 41.4 percentage points lower than the average rate. In the past 10 years, the level of economic stability was raised. The annual increase averaged 11.2 percent. The highest record was a 17.1 percent increase in 1985, which was 5.9 percentage points higher than the average rate. The lowest record was a 4.68 percent increase in 1981, which was 6.52 percentage points lower than the average rate. However, there is still the phenomenon of overheated economy and we still

have not got on the track of sustained, stable, and coordinated development. We tend to be overanxious for quick success in construction and reform mainly because we lack a full and profound understanding of our national conditions and a sober estimate of our national strength.

After over one year of rectification and improvement, we have achieved initial results. The excessively high growth rate of industry has been reduced, price increases have slowed down, the withdrawal of currency from circulation has taken a turn for the better, and agriculture has had a fairly good harvest. This has laid a solid foundation for deepening the reform. For this, we should adhere to the socialist orientation of reform, vigorously develop the planned commodity economy which is based on public ownership, and gradually establish an economic movement mechanism that integrates the planned economy with market regulation. Currently we should stabilize, consolidate, readjust, and improve the reform measures which we adopted a few years ago.

To stabilize the economy, we should first stabilize enterprises and deepen the enterprise reform. We should adhere to, stabilize, and improve enterprises' contract management responsibility system. While adhering to the contract system, we should sum up experiences, promote what is beneficial and abolish what is harmful, and continue to improve the system to make it conducive to vitalizing enterprises' production and management and to increasing financial income, optimizing structure, facilitating enterprises' technological progress, and increasing economic efficiency. We should adhere to, stabilize, and perfect the factory director responsibility system. Modernized enterprises must establish a unified, powerful, and high-efficiency production command and management system. Implementing the factory director responsibility system is an objective demand of socialized large-scale production. To stabilize enterprises and the enterprise contract management responsibility system, we must stabilize and perfect the factory director responsibility system. At the same time, we should strengthen the political and ideological leading role of enterprises' party organizations and give full play to the initiatives and creativity of the broad masses of workers. We should deepen enterprises' internal reform, strengthen enterprise management, and tap enterprises' internal potential. We should continue to promote merge and integration among enterprises, develop enterprise groups, and facilitate the optimization of industrial structure, product mix, and enterprise organizational structure. At present, some enterprises have problems because of the market slump and some stockpiled products. However, now is also a good time to readjust the industrial structure, product mix, and enterprise organizational structure. We should seize this opportunity to facilitate the circulation of productive factors and fully develop overall economic efficiency.

Strengthening macroeconomic regulation and control and gradually establishing a macroeconomic regulation and control system is an important task of rectification,

improvement, and deepening the reform as well as an important condition for guaranteeing the sustained, stable, and coordinated development of the national economy. The establishment of the macroeconomic system should revolve around and serve the sustained, stable, and coordinated development of the economy. Sustained means that the economy should maintain a normal growth rate for a long time; stable means that the economy should not fluctuate violently; and coordinated means that major ratios in the economic structure are relatively rational, finance, credit, supplies, and foreign exchange are basically balanced, and the economic development is planned, proportionate, and of good quality and high efficiency. To strengthen and improve macroeconomic regulation and control and establish a macroeconomic regulation and control system, we should not only carry out overall reduction and structural readjustment but also concentrate on the switching of mechanism. We should establish through the reform a management system, an investment management system, and a finance and taxation system that suit the development of socialist planned commodity economy, build a self-restraining internal mechanism for enterprises and government organizations at all levels, and form an internal stabilizing and balancing mechanism that prevents economic overheating and investment and credit expansion. If we do not carry out structural reform and switch mechanism, even if we successfully stopped the tendency of economic overheating and inflation, a new round of economic overheating and inflation may occur again. This way, it will be very difficult for China's economy to get out of the inflation-deflation cycle. Appropriately strengthening centralization during the period of rectification and improvement does not mean that we do not want reform and that we want to go back to the old way. Because, first, appropriate centralization is reasonable centralization on the basis of developing the initiatives of localities and enterprises. Second, it does not deny localities and enterprises necessary decision-making power. Third, without appropriate centralization and powerful macroeconomic readjustment during the rectification and improvement period, we will not be able to reverse the loss of overall economic control, the imbalance of structure, and the confusion of economic order. Once the goals of rectification and improvement are achieved, we may carry out appropriate readjustment and further enliven the economy.

We should rectify and establish economic order, especially circulation order, and alleviate the contradiction of unfair social distribution. We should further clean up and consolidate companies, especially those in the circulation sphere, rectify and establish market order, gradually resolve the issue of the "dual-track system" of capital goods, improve and perfect market rules and regulations, and establish a market supervision and management system. To gradually alleviate the contradiction of unfair social distribution and ease the public's discontent, we should improve and perfect the wage and bonus system and gradually overcome the phenomenon of egalitarianism in workers' income while controlling

consumption. We should strengthen the work of tax collection and management, ban illegal income, and protect legal income.

During the rectification and improvement period, we should also promote, if needed and possible, the experiment of various reforms in selected units in a planned and step-by-step manner. For instance, we should continue to experiment with "the separation of tax from profit delivery, after-tax loan payment, and after-tax contract" to explore the reform of the separated tax system. We should continue to experiment with the share-holding system, the reform of housing system, the comprehensive reform at the county level, and the reform of social security system. We should gradually explore in practice through such experiments, continue to accumulate experience, and then spread it step by step.

#### **Economists Discuss Trends for 1990's [Part Two of Four]**

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[Text] "Several Major Issues That Must Be Solved for China's Economic Development in the 1990's," by Wang Mengkui [3769 1125 1145], vice chairman of the Economics Research Center of the State Planning Commission:

China's economy in the 1990's must put the solution to the following issues in a prominent position whether it wants to realize the goal of the on-going rectification and improvement campaign, or continue to develop after that.

1. Achieve an overall balance. To bring about the steady growth of the national economy, we must conscientiously strengthen and improve the comprehensive balance to ensure the respective balance of finance, credit, foreign exchange, and supplies and the balance among them. We must proceed from China's actual conditions in the current stage. Generally speaking, we must adhere to a financial and monetary policy of retrenchment, not expansion. Recent problems arising in economic development find prominent expressions first in the loss of overall balance. During the 10-year period between 1979 and 1988, China had financial deficits for 9 years. According to the current financial accounting system, internal and external debts are counted as financial revenue. If we deduct debt revenue, China had deficits for 10 years, the total amount was over 170 billion yuan. This was a major reason for the expansion of social demand. The monetary policy of expansion was another major reason for the expansion of social demand. During

the 10-year period between 1979 and 1988, the year-end balance of all loans increased from 185 billion yuan to 1,55.2 billion yuan, an increase of 4.7 fold. During the same period, total money supply reached 192.2 billion yuan, equivalent to over nine-fold of the total money supply of 21.2 billion yuan in the 30-year period between 1949 and 1978, an average annual increase of 26 percent. During the five-year period between 1984 and 1988, total money supply was 160.4 billion yuan, equivalent to 7.6 fold of total money supply in the 30-year period between 1949 and 1978, much higher than the growth rates of GNP, total industrial and agricultural output value, and national income in the same period. Under this background of overall imbalance, the occurrence and development of inflation was unavoidable. After over a year of rectification and improvement, consumption and investment demands have been curbed somewhat, the excessive high speed of industrial production has slowed somewhat, the increase rate of prices has been reduced, and some results have been made in solving the problem of overall imbalance. But the improvement of such overall relations was achieved by adopting emergency measures, now they are still unstable. Financial subsidies now account for about 30 percent of total financial expenditures. Increasing subsidies to hold down market prices is not a permanent measure because such a heavy burden is itself an important cause of deficit budgets. Value-guaranteed saving deposits only changes immediate purchasing power into surplus purchasing power. Using the method of strengthening administrative control to stabilize prices may work for the time being, but it cannot last long under the condition of overall imbalance. According to years of experience and lessons, achieving an overall balance in the economic development of the 1990's is an important task that must not be ignored. Issues that need to be resolved at present are mainly: gradually reduce financial deficits by increasing income and reducing expenses to balance revenue and expenditure; combine the control of credit scale with the improvement of credit structure; ensure the correct amount of money supply to meet the need of normal economic development and avoid inflation; ensure the investment needs for basic industries under the prerequisite of controlling the overall investment scale; effectively control the excessive increase in consumption demand to ensure that the growth rate of consumption funds is lower than that of national income and labor productivity; improve management of wage funds, perfect measures to link enterprise's total wages with economic returns, change the current situation in which economic returns are often linked to prices, and stop consumption funds from taking the place of enterprise's production and development funds and reserve fund; and alleviate the contradiction of unfair social distribution and overcome the phenomenon of egalitarianism actually existing in income distribution while keeping the total amount of consumption funds from expanding.

**2. Readjust the economic structure.** Readjusting the economic structure is one of the goals of rectification and

improvement, the essential way to increase the overall efficiency of the national economy and total supply, and an important aspect of solving the overall imbalance. The concrete orientation of structural readjustment in the current stage is: strengthen basic industries and infrastructure, such as agriculture, energy, communications, and raw materials, and curb the excessive large scale of the processing industry; appropriately speed up the development of high-tech industries and farm and sideline product processing industry, and restrict industries whose production capacity exceeds domestic demand and whose raw materials are in short supply; completely improve the quality of products and increase the ratio of high quality and new products; gradually increase scale efficiency, and reverse the tendency of small scale and decentralization; and popularize advanced science and technology to narrow the wide gap between different enterprises within the same industry that produce the same commodity. The irrational industrial structure is caused by the distortion of a series of interest relations in the economic system and policy. These contradictions have not been eliminated and will not be easily eliminated within a short period of time. During the period of rectification and improvement, readjusting industrial structure can achieve only limited goals. Problems that need to be solved immediately are mainly: appropriately centralize funds to increase input for basic industries and infrastructure construction, strive for the stable increase of energy and major raw materials production, and alleviate the shortage of communications and transportation; set a correct and appropriate scale, speed, and orientation for the transfer of agricultural population to nonagricultural industries to ensure that township enterprises go through necessary readjustment; accelerate the technological transformation of existing enterprises, improve enterprise's organizational structure, and eliminate enterprises whose efficiency is low, consumption is high, production is duplicated, products that are overstocked and no longer have any existing value, thus enabling the rectification and improvement campaign to become a new starting point for technological advancement and economic growth; and give full play to the backbone role of large- and medium-sized state-run enterprises, enabling them to reach the goal of accelerating technological progress through structural readjustment. During the rectification and improvement period, the unemployment rate will rise, and the problem of how to release rural and urban employment pressure will become acute.

**3. Increase economic returns.** Poor economic returns are a chronic malady of China's economy. Economic work should be centered on increasing economic returns. We have talked about this for many years, but I think that China's economic development in the past 10 years still belongs to the extensive type that emphasizes output value and speed. Blind industrial input and low-level duplicated construction still exist. The similarity of regional industrial structure and the tilt toward the extensive type has wasted limited resources. According to Ministry of Finance statistics, the profit delivery and

tax rate of industrial enterprises dropped from 24.7 percent in 1982 to 18.9 percent in 1988. This means that financial income was reduced by over 40 billion yuan a year. The net output value rate of all industries dropped from 34.6 percent in 1978 to 29.5 percent in 1988. This means that the material consumption of industrial production increased. A research report states that the output rate of all productive factors rose during the 1979-84 period and declined after 1984. This shows that economic overheating and structural deterioration caused the overall economic returns of industrial production to decline. Achieving a fundamental change in the development strategy from pursuing output value and speed to emphasizing and increasing economic returns is the basic way out for China's economy. During the period of rectification and improvement, the economic growth rate will decline, and it will be difficult to expand the scale of investment, so increasing economic returns is the only way to escape economic difficulty. We should correct the practice of one-sided pursuit of growth rate and blind expansion of production scale and ensure that we get on the track of economic development characterized by little input, great output, and high economic returns. We must conscientiously reduce cost and consumption, improve quality, reduce the misuse of funds, increase economic returns and see results. Increasing economic returns, after all, depends on technological advancement, and eliminating the bad and saving the good will be realized during economic development. This depends on the improvement of management, the perfection of policy, and reform of the system.

**4. Improve the distribution pattern of national income.** The distribution system and pattern of national income has gone through drastic changes in the past 10 years. The past situation of highly centralized state control over distribution process and results has changed, but the new distribution system which has both microeconomic vitality and macroeconomic regulation and control functions has not been really established. Trends in the distribution of national income in the past few years have been that the proportion of state revenue continues to decline and that of enterprise profit retention and personal income continues to increase. State-run enterprise profit retention level increased from 3.7 percent in 1978 to 50.7 percent in 1987. The part of enterprise profit retention used for workers bonus and welfare funds continued to increase rapidly. By 1987, these two items used over 80 percent of profits retained by enterprises. The final beneficiary of the huge subsidies in the state's financial expenditure was individuals. The proportion of personal income in GNP increased from 38 percent in 1978 to 62 percent in 1988. Because the existing national economic accounting method does not consider the effect of inflation, a large part of the accumulation amount is false and the actual accumulation rate should be lower than the statistical figure. Readjusting the distribution pattern of national income and reforming and improving the distribution system is a major task of rectification, improvement, and deepening the reform. There are many dilemmas in this

regard. If we do not adopt major reform measures for the existing distribution system, it will be very difficult for us to reverse the irrational situation of income distribution. If we adopt a measure that is too radical, we may affect economic and social stability. We must find a feasible measure among the dilemmas.

**5. Correctly handle the relation between planning and market.** Since the economic structural reform, the original planning system has been reformed and the regulatory function of market mechanism has been enhanced substantially. Take industrial production for instance. Statistics show that the number of products under the command-style plan managed by the State Planning Commission has been reduced from over 120 in 1984 to the current 60 or so and the proportion of their output value in the gross value of national industrial output has declined from about 40 percent to about 17 percent. Investment under the command-style plan accounts for only about a third of the total capital construction investment of units owned by the whole people. This is conducive to arousing the enthusiasm of localities and enterprises and can inject vitality into the economy. However, market-oriented reform has also exposed fairly prominent problems in practice. The distribution power of funds, materials, and foreign exchange is too scattered and the state's regulatory and control ability has been weakened seriously. In the sphere where market mechanism is working, we have failed to establish an effective corresponding macroeconomic management system and guarantee that microeconomic activities conform to the macroeconomic interests and demands. The negative consequences of this are such serious problems as the imbalance of major relations including investment, consumption, and national income distribution, structural distortion, and duplicated construction and imports. Facts have proved that we cannot skip the reform of the previous planning system because if we do, the economy will lack vitality. However, we cannot exaggerate the function of market either because, on the one hand, China's current market mechanism is imperfect and cannot be possibly perfected any time soon and, on the other hand, even a perfected market mechanism has its flaws. Our principle is combining the planned economy with market regulation. The degree, method, and scale of combination should be adjusted and improved according to actual conditions. During the current rectification and improvement period, we should stabilize, consolidate, readjust, and improve the reform measures adopted a few years ago in accordance with the above-mentioned principle, appropriately strengthen centralization on the basis of developing normal local and enterprise enthusiasm, and gradually establish a macroeconomic regulation and control system that can facilitate the stable development of the economy while continuing to vitalize microeconomy. Issues in this regard that need to be discussed in depth now are mainly: Judged from China's national conditions and the degree of market growth in the current stage, what method shall we adopt to combine the planning economy and market regulation? How do we correctly define the scale and

degree of their functions and how do we readjust them in a fairly flexible manner according to changes in actual conditions? What kind of planning system shall we adopt to increase the proportion of planning and properly strengthen centralization during the rectification and improvement period so that we can ensure the balance of ratios of national economic sectors and increase the microeconomic vitality of enterprises? How do we utilize such economic levers as finance, money, tax, and price in a coordinated manner? The dual-track price system of capital goods currently in effect has many defects. What kind of measures shall we adopt to limit and overcome the negative effects of the dual-track system? What kind of interim measures shall we adopt to change the dual-track system eventually to the single-track price system? How do we promote what is beneficial and abolish what is harmful during the rectification and improvement period? How do we properly improve enterprise's contract management responsibility system, the financial contract system, the monetary system, the foreign trade contract system, and the capital goods management and planning system to meet the demands of further rectification and improvement?

The above five aspects are important issues that need to be solved in the economic development of the 1990's, especially in the rectification and improvement period in recent years. There are of course many more issues that need to be solved in reality. There are many long-term issues that cannot be ignored, such as population, resources, environment, ecology, and education.

The prospects for China's economic development in the 1990's will be determined ultimately by how well the above issues are solved.

**"Revitalize the Economy While Adhering to the Double-retrenchment Policy," by Yang Peixin [2799 1014 2450], advanced researcher of the Economic, Technological, and Social Development Research Center of the State Council:**

Recently I have attended many symposiums with people from the banking and business circles. Today I am going to talk about the current economic situation.

1. The current economic situation is that, on the one hand, prices have begun to stabilize and, on the other hand, slow economic growth, even negative growth, has occurred since September 1989. For instance, industrial production was -2.1 percent in October, and increased only 0.9 percent in November. The annual industrial growth rate may be five to six percent. Twenty percent of industrial enterprises at and above the city and town level (including those owned by the whole people and those owned by townships and towns) have stopped production, which affects about two to four percent of all employees and workers, namely 3-4 million people.

It is a little late for us to notice this problem. It has been almost four months since the symptom appeared in September 1989. When the problem appeared in March

1950, it was detected immediately in April and a conference of industrial and commercial bureau chiefs was held in May to demand the readjustment of industry and commerce.

There are two views on the decline of production. One view holds that we have entered the period of stagflation. If this is true, we should continue to adopt measures to vigorously tighten money supply and check inflation. Another view holds that economic recession occurred after the reduction of money supply and that the answer is not tightening the faucet but revitalizing the market, enterprises, and the economy while ensuring price stability.

This is a delicate situation. The inventory of industrial enterprises has increased and so has the inventory of commercial and supplies departments, showing a total of 100 billion yuan increase over the same period in 1988. However, the amount of value-guaranteed saving deposits also increased by 100 billion yuan during the same period. This shows that the people do not want to buy anymore. If the people do not buy light and textile industrial products, it will be impossible for the light and textile industries to buy the products of raw materials industries, thus causing a chain reaction of overstocking.

Why do citizens not want to buy? According to a Shanghai opinion poll, the answer is that citizens sense there will be problems in the next two to three years, so they need to be prepared now by minimizing unnecessary purchases and saving money to meet a difficult situation. I am afraid this does make sense.

2. What caused industrial production to decline? The "resolution" stressed a point: "We should not be overanxious for quick success in rectification and improvement" which gives us great inspiration. The business circle thinks that money supply has been tightened too fast, on too broad a scale, and too extensively. It is increasingly clear that finance has played an important role in macroeconomic regulation. Money supply was near 70 billion yuan in 1988 and near 40 billion before the Spring Festival of 1989. The two figures add up to 110 billion yuan. At that time we realized that when China stressed the macroeconomy, it mainly stressed bank notes which refer to M0, not M1 or M2. Now we understand that this practice was correct because citizens withdrew money from the bank and turned it into real purchasing power. Today's problem comes from the fact that bank notes are controlled too strictly. Since the Spring Festival, currency has been withdrawn continuously from circulation and a total of 1.5 billion yuan has been withdrawn from January to October (in the past money was usually released in October). It was not until November that we released 3.5 billion yuan. The amount of money supply in the 1989 was at most 20 billion yuan. The amount of cash used to procure products in 1989 was reduced substantially compared with 1988. The state's cash income from selling the means of agricultural production was higher than that of 1988. So, the amount of currency in rural areas was reduced markedly.

According to the investigation of the Ministry of Agriculture, peasants' actual income was reduced by 10 percent. We thought that Hubei, Hunan, and Jiangxi provinces did not issue IOU's in the 1989 procurement. We found out that at least a third of the procurement was paid with savings certificates. Since savings certificates cannot be used to buy consumer goods and production materials, peasants are unhappy. Some provinces in Northeast China still do not have money to procure farm and sideline products. Nei Monggol and Xinjiang have no money to procure wool, so herdsmen said: If you do not hurry up and buy, we will have to kill our sheep. Southern sugar factories have no money to buy sugarcane and northern sugar factories have no money to buy beets. We have thought since 1989 that the main way to treat inflation is to release less or no currency. It was not until recently that we decided to increase the quota of payment for goods from 160 billion yuan to 180 billion yuan. Approximately 40 billion yuan was released. If peasants cannot sell their grain, cotton, edible oil, fruits, aquatic products, wool, and sugar, they will have no money to buy manufactured goods and manufactured goods will have no market. To change this situation, bank's starting loans should be focused on supporting the procurement of farm products. I wonder if banks can consider lifting the restriction of quota when it comes to the payment for the procurement of grain, cotton, and edible oil and allow loans to be reported as soon as they are issued so that all such products will be procured. I wonder if sugarcane, beets, and wool can be handled in the same way to allow loans to be reported as soon as they are issued. This is because these cash crops will still be in short supply in the next few years.

3. On the future principle. Some people say that we should not mention the financial and monetary "double-retrenchment" policy in the future. I think we should continue to do so because it is right for financial departments to exercise special control of the purchasing power of social groups. This point must be upheld continuously. In the past few years, our financial income showed a large increase. The only problem is that it was not used on key construction projects. Only some 30 billion yuan was invested in key construction projects a year. Increased financial income was wasted on food and drink.

Banks still should tighten the payment for goods for enterprises with poor economic returns. Increase in the payment for goods should rely on increase in savings deposits, not the issuance of bank notes. The double-retrenchment policy should still be upheld. In December 1989, we should release near 100 billion yuan of loans, but we must never do a rush job of issuing loans like we did in 1984.

Currently we should, on the one hand, adhere to the financial and monetary double-retrenchment policy and, on the other hand, revitalize the market, enterprises and the economy. In 1989, enterprises' starting loans were issued on five occasions, but they all stopped soon after they were started. Like a pacemaker, once it stops, the

heart stops. The triangular debt has snowballed; this is not only a small triangle but also a large triangle. State finance owes key construction investment, state finance owes foreign trade deficit payment, and banks owe state finance, forming a macroeconomic triangular debt which cannot be easily resolved.

Now from which link shall we start to revitalize enterprises? After discussion we think that we should start from the purchase of farm products. Due to a lack of funds, the progress of farm product procurement has progressed slowly, which freezes peasants' purchasing power and leaves them no money to buy manufactured goods.

Of course, we are not suggesting raising procurement prices or quotas. We should procure what needs to be procured with quality and quantity guaranteed. If the procurement work of 1989 is unsatisfactory, it will affect not only industrial sales but also peasants' enthusiasm and the agricultural production situation in 1990.

In addition, commercial and supply departments should build a reservoir to prevent the resurgence of inflation and facilitate urban and rural exchanges. Now state-run commerce has the responsibility to regulate the main channels of social production.

The wage of government and school employees has not changed in the past few years, and their real income has declined 30 percent. The income of enterprise workers has also declined, but by a smaller margin. Wage increases for government organizations should be considered together with the year-end bonus issued after the fulfillment of enterprise contract.

At present, machinery and electronic products are overstocked. Their inventory has increased 61.4 percent and reached 22.24 billion yuan. In addition, the inventory of metallurgical and chemical industries has increased 5.9 billion yuan, totalling 32.1 billion yuan. These products are classified as the first category, means of subsistence. Now more than a half of cement plants in Guangdong have closed down due to the reduction of capital construction. We should reduce some fixed-asset investment and guarantee some. We should reduce the construction of hotels, guest houses, and the processing industry and guarantee the energy, communications, and raw materials industries. Now we should encourage enterprises to expand reproduction, carry out technological transformation, expand, revamp, and build new factories. The Shoudu Iron and Steel Company is planning to build the Qilu Iron and Steel Company with an annual production capacity of 10 million tons in Shandong. The Shoudu Iron and Steel Company will invest 50 percent and Shandong and Shanghai will invest the other 50 percent. State leaders have all expressed great interest in this project. This is good news for the machine-building and electronics and metallurgical industries.

The capital construction front and the production front need to be readjusted. Now that the false purchasing power and false prosperity have disappeared, how many

color TV sets and refrigerators do we really need? I wonder if we can hold expert meetings like in the 1950's to mobilize the whole society to survey each and every product and come up with an estimate. Some enterprises may become members of enterprise groups to avoid wasting productive forces. Now the experience gained in the readjustment of industry and commerce in the 1950's has real significance in many aspects.

**"Stepping Up Economic Readjustment Through In-Depth Reform," by Wu Jinglian [0702 2417 8834], research fellow of the Economic, Technological, and Social Development Research Center under the State Council:**

There is a public view in China and overseas holdings that something has gone wrong with the improvement and rectification program, plunging China into stagflation, and therefore it is necessary to relax control over money supply and inject more money so that the economic growth rate will bounce back. I do not agree with this view and believe that the actual situation is not that pessimistic.

Those who say that China is stranded in stagflation base their argument on this: Industrial growth rate has slid month by month since September 1988. And from September to November 1989, it stood around zero, while the retail price index of commodities was still high at around 20 percent, which for the whole year was about the same as in 1988 (around 18.5 percent). The sliding industrial growth rate and the present zero growth rate which they talk about are all facts. Nonetheless, they misunderstand the "flation" of the word stagflation. The retail price index of commodities, from which they judge that China's present inflation rate is still very high, is an index arrived at on the basis of comparing the monthly averages in 1989 with the corresponding months in 1988. This index shows that from February to December 1988 commodity prices already rose considerably, which is the reason for "rising prices" in 1989. If we count the new price increases in 1989, we see that the inflation rate is far lower. It is expected that the price index in December 1989 will only be seven to eight percent higher than that in December 1988. Moreover, when comparing the price index of one month with that in the previous month for the year of 1989, we see that the index fell month by month, and by September it approached zero. If we express the present commodity index in terms of an annual rate, it does not exceed 2 to 3 percent at the most. Therefore, I believe the "stagflation" view is not tenable.

What I want to emphasize is that the current reduction of industrial speed, sluggish market, suspension or semisuspension of production in some factories, enterprises being unable to pay out wages, and the difficulty in disposing of newly increased manpower are all natural phenomena when we are healing the serious inflation. It can also be regarded as the cost for healing the overheated economy and deteriorating economic structure in recent years. Without strict control over aggregate amounts, it is impossible to coordinate total demand and

total supply or change the economic structure. This general rule applies to any economic structure. For example, under the policy of continually stimulating demand to sustain growth, the U.S. economy was stranded in stagflation in the 1970's. When Reagan was elected president in 1980, they shifted to another policy which controlled the growth of currency so that the two-digit inflation rate, which appeared during the Carter administration, could quickly be brought under control. Moreover negative growth appeared in 1981 and 1982.

Since its economic structure was readjusted, the United States has gained definite strength and has not suffered any serious decline. Therefore, China is not caught in stagflation and nothing has gone wrong in the previous phase of the improvement and rectification program. All positive and negative economic phenomena only show: We have entered another phase for our work of readjusting the national economy, during which reform will step up readjustment.

My analysis of the current economy of China in this way does not mean we do not have problems before us. It means that now that we have paid the cost, we have created the prerequisite for the national economy to enter a benign cycle. Moreover, this analysis does not mean that everything goes well after we have obtained the results in the first phase of readjustment or that the structure will become perfect or efficiency will improve soon. Strict control over aggregate amounts only offers a prerequisite, but not sufficient conditions. I think that in order to bring the national economy into a benign cycle, the most important thing to do is to carry out reform by taking advantage of the present strict control over the aggregate amounts.

People who hold that control in the previous period was too strict have put forward the countermeasure of quickly relaxing control over money supply and injecting large amounts of currency. I am very doubtful what outcome this method will bring. As I said previously, we did not place too much strict control over money supply in 1989. The increase of MO, quantity of cash in circulation, was around 10 percent at every time-point from September to November. By the end of 1989, it will stand approximately around this rate. Why has the market become so sluggish when currency supply is slightly more than output? The problem at a deeper level is one concerning the structure. Therefore, in the course of circulating its capital, every enterprise stores part of it in the form of natural resources, manufactured products and semi-manufactured products so as to let it be "constricting" or "precipitating" in the circulation course. When the products of one enterprise are unmarketable, the capital of another will not circulate. This then incurs the "triangular debt," causing them to owe one another a debt. If this structure functions very badly and growth speed is brought back by injecting large amounts of currency, new inflation will probably be triggered when we have injected enough capital to make it circulate relatively freely.

In view of this, in order to improve the economic structure and speed up economic efficiency, we must take radical measures. I mentioned in an article, which I wrote for CHING-CHI TAO-PAO in 1989, that there exists three problems in the present economic structure: First, the separation of administrative power, that is, "delegating slice by slice" the central regulatory power over aggregate amounts, which causes confusion of macroeconomy and separation of the market. Second, the "two track price system" gives rise to two problems: First, the shorter the supply of a product, the stricter the control over it, and the lower its relative price. This breaks the principle of the market system that a relative price reflects the degree of a relative shortage. As a result, the "short line" becomes shorter and shorter while some processing industries which turn out expensive products and earn great profits are continually expanding. On the other hand, the two track system makes it impossible for enterprises to compete fairly with one another. Moreover, "rent-seeking" practices, for example, the practice of people wielding their power to make profits by price differences and interest differences in foreign exchange, are developing extensively. This speeds up unfair distribution and allows corrupt phenomenon to proliferate. Third, we merely emphasize granting autonomy to enterprises but do not place them in a competitive environment. Consequently stipulated powers can never be delegated by any means. Moreover, there is no rigorous control of financial budget over the operations of enterprises.

Therefore, I think it is necessary to concentrate on and carry out reform in economic structure, overcoming its current serious weaknesses. We should use this mechanism to readjust the structure. This is the key to our success in radically improving, maintaining, stabilizing and coordinating the development of the financial and economic situation in the next two or three years.

In order to change the malfunction of our present structure, it is necessary for the central authorities to take over those powers that have been improperly delegated in the past. This kind of takeover does not imply that we will return to the old practice under which purchase and distribution were monopolized by the state, but that we will set up a macroeconomic management system that suits socialist commodity economy. Those which need centralized management are mainly macroaggregate amounts, such as the aggregate amount of financial revenue and expenditure, the aggregate amount of credit revenue and expenditure, and the aggregate amount of foreign exchange revenue and expenditure. We may as well allow enterprises to make microeconomic policies for themselves and to be economically responsible for their decisions.

There are two methods to deal with industrial and commercial enterprises: First, converting them into administrative units which will be solely responsible for gains and losses and which will pay out wages and bonuses whether they make profits or not. For example, in order to allow a commercial enterprise to regulate

surplus and deficit, payment of wages and bonuses should depend on whether or not one follows the instructions of his superior, but not on the sales conditions, or gains and losses. Otherwise, its own interests will always conflict with social demand. The other way is to give an enterprise the full right to operate and to be solely responsible for gains and losses. Let it make its own operations decisions according to market predictions, and be responsible for the outcome of its decisions. The same internal operations logic law is applicable to these two methods. However, the first method only applies to one or two products such as grain. I think it would be better for us to follow the clear direction of the "Decision on Reform in Economic Structure" of the Third Plenary Session of the 12th CPC Central Committee. In short, we need to centralize macroeconomic aggregate amounts, and use the market forces and administrative instructions to direct the operations of enterprises. Forceful or mild administrative instructions can, of course, be given according to the situation.

This shift of direction demands a solution to a crucial problem, that is, forming a competitive domestic market which has two duties to fulfill: First, effecting changes of price reform. Second, vigorously forming a trade market for the wholesale of bulk commodities. The current total demand in these two areas has been brought under control to a definite extent, and the sluggish market has offered an excellent opportunity. At one time, we proposed that we would effect price reform by controlling currency. People hold that because socialist economy is an inadequate economy it is impossible for a sluggish market to appear, at least in its primary phase, for even a short time. Therefore, they think price reform is -not workable. Now signs of a sluggish market have appeared, why don't we take this opportunity to make price reform and use some complementary measures to speed up market growth?

To quickly set up a competitive market is not only very important to the domestic economy for its improvement but also absolutely necessary in improving economic relations with foreign countries. Improving the investment environment is an important condition for attracting foreign investment capital. It appears that the basic move to improve the investment environment is to create a market environment in which fair competition is allowed. We must not only put our emphasis on the reduction of taxes and granting more profits or special favors to foreign firms.

In a word, I think we have already come to this phase: Judging from the purchasing power, the tightening up of aggregate amounts has reached its limit. We must not continue with the method used in the previous year, whereby aggregate amounts were mainly controlled by administrative means. In the new phase, we must use a new strategy for the improvement and rectification program and speed up economic readjustment by deepening reform.

## MINERAL RESOURCES

## Nonferrous Metal Resources Discussed

90CE0032A Beijing JINGJI RIBAO in Chinese  
26 Feb 90 p 2

[Article by Cheng Yuan (4453 6678): "Take Care of Our Nonferrous Metal Resources"]

[Text] Everything people do throughout their lives involves nonferrous metals. Nonferrous metals are both a fundamental material in our national economy that must not be lost, and an important strategic material, and they play a pronounced role, particularly in the new technological revolution with new materials as its foundation and new electronic computers at the core.

China has an abundance of nonferrous metal resources. Every nonferrous metal known to exist in the natural world can be found in China, and certain metals are particularly abundant in China. Of 14 primary nonferrous metals, China's deposits for seven of them are the largest in the world and hold latent developmental promise. However, by 1978 China's nonferrous metal production stood at only 952,400 tons. In 1983 the China Nonferrous Metal Industrial Company was established to satisfy the growing needs of the national economy and speed up development of China's nonferrous metal industry. The company has unified planning, and administers the development of the nation's nonferrous metal industry. Also, it has set a goal of bringing China's nonferrous metal production up to between two and 2.2 million tons by the end of the Seventh 5-Year Plan. In the last seven years China's nonferrous metal industry has seen enormous growth. Last year, total production of copper, alumina, lead, zinc, nickel, tin, antimony, mercury, magnesium, and titanium reached 2.1375 million tons. This is near the upper goal set for the end of the Seventh 5-Year Plan. Production of tungsten, tin, antimony, and rare earth, among other metals, have particularly held sway on the international markets and are our traditional export products.

But at the same time, indiscriminate digging, chaotic mining, and destruction of the resources have grown more common, and it seems that every large state-operated mine has been surrounded by countless private miners who use every means they can find to fight with the state mine for resources and production. Some mines are surrounded year after year by tens of thousands of laborers who pitch their camps and then chaotically and indiscriminately dig and extract nonferrous metals. They have caused the state-operated mines to be unable to organize their own production. In 1987, 14 state-operated mines in Hunan and Jiangxi became so confused by private miners that they had to stop production for 470 days and incurred heavy losses. In Gannan, Jiangxi Province, there are 12 key tungsten mines that in the past earned from 50 to 60 million yuan each year. Every one of them is now losing money.

In addition, many of these private mining sites employ jerry-rigged local techniques and simple and crude equipment, and they often take only the easy product and leave the more difficult materials through mining techniques of robbing the rich veins and leaving the poor ones. Often, the quality of the metal tailings that they leave behind is better than that the state-operated mines extract using standard mining procedures. There really is no way to know how much of the resources are being wasted. And if things continue in this direction, certain mines and metals will be wiped out.

For example, 39 of our state-operated tungsten, tin, and antimony mines have been destroyed. Private miners achieve an extraction rate of only 15-20 percent for tungsten ore. Often they throw away four parts for every one they extract, and they deplete as much as three times more resources than do large state-operated mines. The tungsten resources alone that the private miners have wasted are equal to the total amount of tungsten resources that the nation's mines have actually used in overall production. The situation for tin, of which we are a world leading producer, is much the same. With standardized mining techniques, each ton of tin production requires only two tons of deposits. However, private miners deplete over seven tons of deposits in producing one ton of tin. The situation with regard to antimony is even more severe. In 1984 China had over 30 mines involved in extracting, selecting, and smelting antimony. Now there are over 270 mines involved in extraction and selection alone, and over 600 mining sites and over 260 rare earth smelting plants. The extraction rate for private antimony miners does not exceed 20-30 percent, and one can imagine how much of the resource is being wasted.

Indiscriminate mining, chaotic digging, and confused management have led to bullish exports and lowered prices through competition. This has caused prices on the international markets to drop greatly with the result that exports are increased each year and foreign currency earnings from the metals fall. In 1983 one ton of tungsten ore cost between \$80 and \$100 on the international market. By 1989 the price had fallen to around \$52. In 1983 China exported 3,170 tons of tin. Last year total combined exports reached 23,400 tons—a 440-percent increase in export amounts. However, the actual foreign exchange earned increased only 140 percent. In 1988 China greatly increased its exports of antimony. However, the price of antimony on the international market dropped from \$3,400 per ton to the current price of \$1,700 per ton.

Among the many causes of this situation, the primary ones are that certain regions have not considered the longterm, looking only for the little profits to be made today; they have not hesitated to harm the basic interests of the nation and the people; and they have not done all they can to stop the minority of illegal miners, who are setting an example with their indiscriminate mining. In some areas this sort of activity is even considered to be a path to riches open to the people, and those in charge have connived to support it. Knowledgeable persons in

the economics field point out that mines belong to the state and the materials inside the mine are a nonrenewable resource. They hope to see the state step in and unify the planning, administration and approval for the mining of such unique metals as tungsten, tin, antimony, and other rare-earth ions, and their smelting, processing, sales, and exports. They hope we can avoid continuing to destroy the resources. At the same time, departments concerned must strictly execute the laws, and strike a blow at those criminal instigators who would support the destruction of our mining resources.

## FOREIGN TRADE, INVESTMENT

### Nonferrous Metals Export Earnings Exceed \$1 Billion

90CE0034A *Beijing GUOJI SHANGBAO* in Chinese  
27 Feb 90 p 2

[Article by Chen Zeping (7115 0463 1627): "PRC Nonferrous Metals Export Earnings Topped \$1 Billion in 1989; It Is Now Necessary To Stop Reckless Mining, Bullish Exporting, and Competitive Underselling"]

[Text] Although the PRC's nonferrous metals export earnings topped \$1 billion for the first time in 1989, our tungsten, tin, and antimony exports are proving to be a mixed blessing. The growth of the export turnover of these three metals is so out of proportion to the increase in their export earnings, that an abnormal situation has appeared in which export turnover is growing while export earnings are decreasing.

This information was provided at an informal press conference by Fei Ziwen [6316 1311 2429], general manager of the China Nonferrous Metals Industrial Corp. He spoke approximately as follows: We have rich mineral resources, a good assortment of ores, and a potential economic advantage. In particular, our proven deposits of metals, such as tungsten, tin, antimony, and rare-earth metals, all rank first in the world, and our output of them also occupies a decisive international position. However, our reckless mining, bullish exporting, and competitive underselling in recent years have created an abnormal situation in which we are exporting more and more at lower and lower prices and, although our export turnover is growing year after year, our export earnings are steadily decreasing instead.

For instance, the international market price of tungsten ore that was approximately \$80 to \$100 a ton in 1983, has now dropped to about \$50 a ton. The international market price of tin that had long been stabilized at approximately \$10,000 a ton, has suddenly dropped to about \$6,400 a ton in recent years. Although our antimony output ranks first in the world, the 30 antimony mining, ore dressing, and metallurgical enterprises that we had throughout China in 1984 have grown to more than 600, and our antimony output has greatly

increased, the price of antimony has declined sharply because too much of our antimony has flooded the international market.

Although we have such rich resources of nonferrous metals, we cannot continue to mine them on such a destructive scale. As a country's mineral resources belong to the whole nation, reckless mining of national mineral resources not only shocks the international market and lowers the country's foreign exchange earnings, but also critically depletes its mineral resources, creates irretrievable losses, and is a crime against both the nation and coming generations. The departments concerned are being called upon to take effective steps to stop such reckless mining which depletes our national mineral resources.

### Guangdong Asks For Removal of Obstacles Impeding Exports

90CE0067A *Guangzhou NANFANG RIBAO* in Chinese  
27 Mar 90 p 1

[Article: "Yu Fei (0060 7378) Made Three Suggestions on Foreign Economic and Trade Work Related to Realities in Guangdong Province at NPC"]

[Text] Beijing, 26 Mar 1990. Today, the delegation from Guangdong Province to the 7th NPC held its third plenary session. At this session, deputy Yu Fei, vice-governor of Guangdong, spoke in the context of Premier Li Peng's government work report about the province's problems in foreign economic and trade work. He made three suggestions as follows:

Deputy Yu Fei said that in the course of reform and opening to the outside world, the CPC Central Committee and the State Council have supported Guangdong in taking the lead in every way through special policies and flexible measures. During the past 10 years, Guangdong Province has spent \$10 billion in foreign capital on the importation of more than 2,000 production lines and more than 40,000 pieces of production equipment, most of it of 1970's vintage, and some of it advanced equipment from the 1980's. This has played a very major role in the readjustment of Guangdong's industrial structure and the development of its economy. Experiences have been gathered and lessons learned in the course of exploring avenues of economic development. These are now being summarized to do a better job in reform and opening to the outside world. He made three suggestions as follows:

1. He suggested that the State Council's Special Economic Zone Office assemble comrades from coastal areas, including the special economic zones, for a diligent seminar discussion of just what policies require readjustment in improving the economic environment and restructuring the economic order. For example, clarification is needed on the distribution of benefits, on examination and approval authority, on which matters are under central government jurisdiction and which

ones are under provincial government jurisdiction, and on assignment of priorities so that everyone knows what to do.

2. On the investment climate issue. Foreign businessmen, including overseas Chinese businessmen, overseas Chinese compatriots, and compatriots in Hong Kong, Macao, and Taiwan are basically satisfied with the country's preferential policies, but as soon as they come up against realities, concrete problems arise. Mostly the problems are too many "exorbitant taxes and levies," that cause too great a burden. They come from both the central and local authorities. A real effort should be made to straighten things out. In order to attract the investment of foreign capital to the operation of enterprises in China, it is necessary to insure foreign businessmen greater benefits than they can obtain from operating enterprises elsewhere. Unless this requirement is met, slogans are of no use no matter how good they may be.

3. The export permit and quota control issue. Today, an export permit is needed for between 20 and 30 percent of products; for more than 70 percent, there are only quota controls. How to effect control should be carefully studied and improvements made. For example, canned Guangdong dace is renowned in international markets, but as soon as the policy of opening to the outside world was adopted, countless firms began to handle it causing market chaos. Other products are controlled very tightly, every shipment requiring the completion of procedures in Beijing. An airplane ticket from Guangdong to Beijing costs nearly 1,000 yuan, so having to go to Beijing means the expenditure of both time and money. I do not favor further removal of restrictions on commodity control certification, but neither do I approve of the methods being used today. The Ministry of Foreign Economic Relations and Trade should send someone down to Guangdong to perform examinations and approvals on the spot in order to improve work efficiency.

Improving the economic environment and restructuring the economic order has to be linked to both reform and opening to the outside world and to earning foreign exchange through exports. Guangdong has very great potential for the development of foreign trade. In 1988, 18 percent of Guangdong's industrial products were exported, and in 1989 the figure rose to 26 percent. With further effort, an increase to 35 percent or more is entirely possible. Therefore, Guangdong's products should not be confined inside the country; they should compete abroad. Doing this will require, first of all, a rise in product quality specifications; second, better packaging; third, more publicity, meaning a good job of advertising; and fourth, vigorous merchandising, including joining hands with firms in Hong Kong and Macao to develop a international marketing network. Further expansion of Guangdong's foreign trade exports will require more work on the part of comrades in Guangdong and further support from the central authorities.

As of today, the Guangdong delegation has held a total of three plenary sessions to discuss Premier Li Peng's work report. Beginning tomorrow, it will take up a new agenda. State Council Deputy Secretary and Special Economic Zone Chairman He Chunlin [0149 2797 7207] attended today's plenary session of the Guangdong delegation in a non-voting capacity.

### Jilin Governor Announces Measures To Stabilize Export Growth

90CE0034B Beijing GUOJI SHANGBAO  
in Chinese 27 Feb 90 p 1

[Article by Meng Fanjie (1322 0416 2638): "Jilin Governor Wang Zhongyu Proposes Four Foreign Trade Measures To Stabilize Export Growth"]

[Text] Jilin Governor Wang Zhongyu [3769 1813 4416] pointed out at the Jilin Province Foreign Trade Export Planning Conference that ended on 9 February 1990, that the foreign economic relations and trade sector is the major window for foreign economic relations and trade, and a key component of the national economy. He continued approximately as follows:

In order to keep the economy growing at a steady and coordinated rate of growth, exports must also be kept at a fixed rate of growth and must absolutely not be allowed to decrease. Jilin's 1989 exports actually increased 26.2 percent over 1988, and 1989's plans were completed 80 days ahead of schedule. As 1990's foreign economic relations and trade work will be even more difficult and the situation is even more grim, the vast numbers of cadres, staff members, and workers on the foreign economic relations and trade front will have to inspire enthusiasm and contribute more in order to ensure the completion of all foreign economic relations and trade tasks. The following four measures will be taken: 1) Based on exporting mostly agricultural by-products, industrial goods exports will be gradually increased; 2) Based on mostly wholesale exporting to major customers, retail exports will be gradually increased. The former method of emphasizing only staple products and signing only contracts for large amounts of money, will be changed from wholesale exporting and concluding transactions with major customers, to exporting retail commodities and establishing contacts with minor customers; 3) Relations with old customers and traditional markets will be consolidated, and new customers and new markets will also be gradually added; 4) While emphasizing foreign exchange earnings from trade, foreign exchange earnings from other businesses will gradually be increased. The advantages of Jilin Province's intensive manpower resources will be brought into full play, and foreign economic and technical cooperation projects in areas, such as exporting manpower and contracting construction projects, will be vigorously developed. Positive steps will be taken to attract foreign investment and tourism to Jilin, and foreign contacts and cooperation will be increased.

### Increased Machinery, Electronics Exports Needed

90CE0034C Beijing GUOJI SHANGBAO  
in Chinese 27 Feb 90 p 1

[Article by Wang Yixia (3769 0181 1115): "Vice Premier Tian Jiyun Says That a New Breakthrough Must Be Made in Machinery and Electronics Exports"]

[Text] Tian Jiyun [3944 4764 0061], Vice Premier of the PRC State Council, said at the National Working Conference on Machinery and Electronics Exports that ended on 25 February 1990, that "Making a new breakthrough in our machinery and electronics exports is necessary for the country, the people, and the growth and prosperity of the Chinese nation."

He continued approximately as follows: Our poor potential for agricultural by-product exports and the gradual trend that we are facing of progressive increases in our mineral resources exports, pose the question for us of what sources of foreign exchange we can rely on to expand our international economic cooperation and foreign trade and increase our imports. As we are now placing our hopes for this on machinery and electronics exports, how to increase them will be a key issue as to whether we can increase our foreign trade, and also an extremely important issue as to whether we can increase our foreign exchange earnings, enhance our import capability, and smoothly survive our peak debt repayment period.

All trades in all industries should take certain practical steps to actively support machinery and electronics exports. This is easy to talk about, but will be hard to accomplish, since everyone is considering it from the angle of balancing accounts, while neglecting to pay attention to the problems that will result if we cannot increase our machinery and electronics exports and foreign exchange earnings. We must not consider it from the minor angle of reducing expenditures alone, without paying attention to the larger one of broadening sources of income. Thus, I recommend that all provinces, municipalities, and concerned departments consider the issue of how to support machinery and electronics exports from the long-range perspective of how to increase sources of foreign exchange and make more money.

An extremely important current task that is necessary to increase machinery and electronics exports, is to raise their quality and improve their post-sales service. It must be understood that our exports will enjoy no prestige unless we resolve their quality problem, acquire no markets without prestige, and have no future without markets. In order to increase our machinery and electronics exports, it will certainly be necessary to work hard to improve their quality, take their contracts seriously, protect their prestige, and take a more coordinated approach to them. Governments at all levels must conscientiously enhance their leadership of machinery and electronics exports by supporting them in all aspects. They must put the job of increasing machinery and electronics exports on their agendas, study it constantly,

and support it actively, so as to enable our machinery and electronics exports to truly scale new heights.

### Trade Prospects With Integrated EEC Viewed

90CE0067B Beijing GUOJI SHANGBAO  
in Chinese 17 Mar 90 p 3

[Article by Liu Long (0491 7893): "On the Building of a 'Large Integrated European Market' and Development of China's Foreign Economic and Trade Relations"]

[Text] I. The Building of a "Large Integrated European Market" and Its Effect on the World Economy

The "large integrated market" is, in reality, a major readjustment of European capitalist production relationships in response to the development of productivity. Central to the EEC's establishment of this integrated "internal market" is the removal of all barriers to the flow among member countries of commodities, personnel, labor, and capital itself.

Establishment of the "large integrated unified market" may enable the ECC to take the lead in supra-national macroeconomic coordination in the capitalist world, which will inevitably generate a major effect on development of the world economy. First of all, as regards the total world economy, trade outside the region will become trade inside the region, causing a decline in the volume of trade outside the region and an increase in the volume of trade inside the region. However, the increase in the economic growth rate and international competitiveness of member nations resulting from the liberalization of trade inside the region will expand to trade outside the region. Second, as regards the organizational structure of the world economy, establishment of a large unified European market will spur progress toward an integrated United States-Canada trade zone in which the United States is paramount, and an East Asia economic sphere in which Japan is the axis, thereby enabling monopoly capitalism to enter a new stage of international monopoly capitalism with the formation in the world economy of a new triumvirate consisting of North America, Western Europe, and Japan. Regional bloc frictions, coordination, and development will further spur an international interflow of production elements, and the readjustment of the economic structure of each country. Without a doubt, these changes will have a far-reaching and profound effect on China's participation in the international division of labor and international competition.

### II. The Effect of the "Large European Integrated Market" on China and Countermeasures To Be Taken

The gross national product and the volume of imports and exports of the 12 nations comprising the EEC account respectively for 30 percent and 40 percent of the world totals, giving them a tremendous economic force and market development potential. Today, when the mutual economic dependence of all countries is steadily increasing, and the degree of internationalization of the

economy is rising further, establishment of a large unified European market cannot entirely break free from structural dependence on the international market. Most of the household electrical appliance, construction, sanitation, pottery and porcelain manufactures, furniture, sports and recreational equipment, clothing, shoes, chemical industry pharmaceuticals, and agricultural foodstuffs that the western European market needs are products in which China holds relative advantages, opening the possibility that we may be able to expand exports to the EEC. In particular, the general preferential duty exemption that the EEC accorded Chinese industrial goods, textiles, and agricultural foodstuffs beginning in 1980 helps us more in the development of this large market.

In addition, accompanying the establishment of the EEC internal market will be the establishment of a unified currency market and financial markets to promote the liberalization of trade and the flow of capital within the region. This will help us attract capital from this huge capital reserves market. Furthermore, the EEC's relatively open transfer of technology will also help us import advanced applied techniques and new high technology simultaneous with the importation of capital, or resort to combining foreign trade with the introduction of new technology.

Nevertheless, the founding of the large integrated European market also holds many disadvantages for China. Today, when international trade protectionism is becoming increasingly rampant, "internal markets" are outgrowths of "bloc protection" against which we must adopt effective countermeasures, avoiding disadvantages and making use of advantages, and meeting challenges in order to gain sustained, consistent growth of trade with western Europe.

1. Development of dominant products and stabilization of export channels. The economy of the EEC complements China's. Currently, the EEC is facing a readjustment of its industrial structure, developing high-grade, precision, and advanced industrial products. Therefore, the founding of the "large centralized market" will not necessarily pose a threat to primarily labor-intensive products from China. On the contrary, so long as they are readily marketable, sales of such products will still be able to increase. We must both further consolidate and expand the export of traditional commodities and stabilize China's market share, and also increase the amount of processing, the quality, and the number of grades of sensitive products such as textiles on which the EEC places fairly stringent limitations as to quantities imported. We should also strive to expand the export of electromechanical products.

2. Lower production costs to increase competitiveness. Not only does the EEC have a customs union and common agricultural policies, but its internal markets are also all split up, customs barriers proliferating. Relevant statistics show more than 10 procedures have to be complied with for member nations' commodities to

cross frontiers, the EEC spending nearly \$10 billion for this purpose alone. Therefore, the production costs of our export products must be lowered further in order for them to be able to enter the large European market at competitive prices and gain better returns.

3. Improvement of product quality, and synchronization of product standards. The elimination of boundaries within the EEC, and the establishment of a single market with "flow in all directions" will entail the adoption of a unified European standard to take the place of national standards, and fiercer internal competition as well. This will pose greater demands in terms of product quality, standards, specifications, and after-sale services in order for Chinese products to enter this market. Thus, we must pay close attention to the study of product technical specifications, safety and health standards, quality requirements, and packaging regulations, coordinating them with the EEC's.

4. Stepping up direct investment to take over western European markets. Nowadays, Japan, the United States, and the USSR, as well as some newly industrialized countries and regions are stepping up their investment in the building of plants in EEC member nations. We should also not miss the opportunity to select projects having market potential in the EEC for direct investment, using private capital, joint ventures, and cooperative production. This will permit us both to assimilate local capital and technology, and to circumvent trade barriers in order to consolidate and expand market share for our products.

5. Use of the customs union to open up product markets. The customs union is a major foundation on which the EEC is built. The "Treaty of Rome" provides for reduction or remission of customs duties on industrial products and the elimination of other limits on exports for free flow of industrial products within the European Economic. Therefore, all that is needed is for our products to get into one country, and that will amount to being able to enter a liberalized market made up of many countries. We can also invest funds to build plants in any EEC member nation, and use local raw and processed materials and parts (on which import duties are much lower than manufactured goods) to produce or assemble finished products. So long as the value of the products is increased by 40 percent, a product certificate of origin in that country can be obtained, enabling the product's duty-free entry into other EEC member countries.

6. Greater macroeconomic regulation and control using "integration" to counter "integration." Because of the delegation of authority over foreign trade and economic matters, and weak control, China speaks with many different voices on exports to the EEC, and business dealings are decentralized. As a result, foreign businessmen lack a sense of security, which dampens their enthusiasm for doing business with us and buying our commodities. In order to meet the new changes in EEC integration, we must use integrated policies, integrated actions, and integrated measures to develop economic

and trade relations with that market. In order to do this, departments concerned should readjust their export strategy, formulate trade regulations, and strengthen corresponding coordination and control. Only by so doing can we concentrate our forces and use the advantages to the fullest to open up and develop the large EEC market.

### **Shanghai's Export Labor Earnings Reach \$9 Million**

*90OH0485B Shanghai WEN HUI BAO in Chinese  
18 Feb 90 p 1*

[Article by reporter Zhu Guangming (2612 0342 2494): "Shanghai's Publicly Assigned Labor Exports Earn an Annual Average of \$9 Million in Foreign Exchange—Composition Has Changed from Primarily Low- Level Labor to Intermediate and High-Level Labor, and Exported Personnel Are Distributed Among Ten Nations and Regions"]

[Text] The composition of Shanghai's publicly assigned labor exports has begun to change from primarily low-level labor to intermediate and high-level labor. Right now various skilled technicians, ship crewmen, chefs, park engineers, and other workers from all over the city are distributed throughout Western Europe, the United States, Japan, Thailand, Iran, Iraq, and Hong Kong, in dozens of countries and regions. This is extremely profitable, producing \$9 million worth of foreign exchange each year.

Shanghai got a relatively late start in international labor cooperation. In 1984, when the Shanghai Foreign Economic and Technical Cooperation Corporation was founded, only 820 workers went abroad. Because Shanghai has a relatively high quality labor force, and because Shanghai residents are quite accustomed to the environment outside Chinese borders, labor exports expanded rapidly. Figured so far, the Shanghai Foreign Economic and Technical Cooperation Corporation has exported more than 13,000 workers of all types. Of these, workers in Iran alone have earned more than \$20 million in foreign exchange. Shanghai has already sent more than 300 ship crewmen abroad. From sole reliance on the Middle East, Shanghai has expanded its labor export market to Southeast Asia and Africa, and has even breached the highly impassable European and U.S. labor markets.

### **Steps To Ease Fund Shortages Among Foreign Trade Enterprises**

*90OH0485A Beijing GUOJI SHANGBAO in Chinese  
3 Feb 90 p 1*

[Article by GUOJI SHANGBAO correspondent: "Efficient Measures Adopted by the Shanghai Foreign Economic Relations and Trade System To Alleviate Funding Shortages Prove Successful"]

[Text] According to reports from the sectors concerned, effective measures adopted in the Shanghai foreign economic relations and trade system to alleviate 1989's funding shortages, serious defaults on third-party debts, and problems in the fund circulation, have achieved notable success. The primary methods adopted were as follows:

The "open sewer" method was adopted to clear up third-party debts. In the first half of 1989 foreign trade enterprises in Shanghai defaulted on 1.5 billion yuan in payments. The Shanghai Foreign Economic Relations Commission set up reciprocal checking with the departments concerned, and each one opened its own unpaid accounts payable and unreceived accounts receivable funds, to use accounts receivable to offset accounts payable.

The system chose to accept bills of exchange to put some credit into circulation to improve the fund utilization rate and clear up debts. Based on the initial success achieved through the "open sewer" method, in the last half of the year the use of funds for investment took a turn for the better. At just the right moment the system began to accept bills of exchange in settling accounts, which made better use of added funds, vastly improved the fund utilization rate, and accelerated fund turnover.

The Shanghai foreign economic relations and trade system gained municipal government support and expanded the credit scale. In view of the funding shortage, the Shanghai government set up a Fund Coordination Group headed by the vice mayor and composed of the various departments concerned. This group centralizes and allocates the distribution and use of city funds and also carries out policies favoring foreign trade.

The above steps have greatly relieved the funding shortage and strongly spurred buying and exporting among Shanghai's foreign trade enterprises.

### **200 Million Kroner Contract for Norwegian Firm**

*90P20012A Oslo AFTENPOSTEN in Norwegian  
29 Mar 90 p 18*

[Unattributed article: "Kamyr Receives Large Order"]

[Text] Kvaerner-owned Kamyr in Karlstad has received a contract for delivery of a fiberline for unbleached paper pulp to the paper producer Qingzhou in southern China. The order is worth 200 million Swedish kroner [\$33.3 million].

The production will occur in part at Kamyr's company, Kamfab, in Karlstad and in part at Waagner Biro AG in Graz, Austria, which is the largest sub-contractor. The facility in China has Scandinavian standards as far as environmental demands.

## POPULATION

### Population Burden Hindering Economic Structural Reform

90CE0005A Beijing ZHONGGUO RENKOU BAO  
in Chinese 16 Feb 90 p 3

[Article by Zhang Kunlun (1728 2492 0178): "Population Burden Restraining Factor of Economic Structural Reform"]

[Excerpt] [Passage omitted] In China, economic structural reform is the result of poverty. It started out at an extremely low level of per capita consumption—the level at which people had barely enough to feed and clothe themselves. Reform took place in a grim environment of sustained population growth. For all these reasons, the economic energy unleashed by reform will only serve to increase the nation's overall strength but will not rapidly raise the level of per capita consumption for a long time to come. Since the trend is for per capita consumption to edge up slowly in the next three to four decades, major reform involving personal distribution will only be able to make halting progress. We see that:

—Since the earnings of the bulk of urban workers are very low, the commercialization of housing and reform to raise rents have been slow in coming. So far they have not been implemented across the board.

—Attempts to end the inverse relationship between the buying and selling of grain and nonstaple foodstuff, raise the procurement and selling prices of agricultural products, and abolish food subsidies have long been bogged down in discussion. The reality is that instead of shrinking, the "black hole" of food subsidies has become bigger and bigger as reform intensifies and the government finds it necessary to stabilize people's livelihood.

—The reform of the cadre wage system and attempts to solve the problem of underpayment for intellectuals too have been delayed repeatedly because of the sheer numbers of cadres and intellectuals and the lack of funds. At best we have been tinkering with the problems.

### Population Burden Forces the Optimization of Labor Composition

Undoubtedly the optimization of labor composition is an important part of the labor system, a panacea for such problems as enterprise inefficiency and the shortcomings of the "eating-off-the-big-rice-pot" distribution system and can inspire workers to work harder. However, given the reality in Chinese enterprises and institutions today—gross over-staffing, any attempt to optimize labor composition will inevitably lead to massive unemployment.

Without a comprehensive social security system and at a time when consumption has barely risen from the minimal level, massive unemployment will easily lead to large-scale social current. On the other hand, if we maintain full employment, inefficiency will continue as before. Faced with this dilemma, we have no choice but compromise by taking a reformist approach: internal enterprise assimilation. Positions on the first front have indeed been optimally reorganized, but at the same time a large number of jobs have been created purely to accommodate surplus personnel, such as the factory area greening team, security team, tertiary industry, and labor service companies. Are these newly created units really needed? Do they run counter to the principle of specialized production? On the macroeconomic level, has there been duplication? Has the personnel structure been streamlined within the enterprise? How economically efficient is it? All this is something the enterprise does not consider or cannot afford to worry about for the time being.

### Population Burden Prevents the Replacement of the Dual Economy by a Unified Economy

All developed and moderately developed nations in the world today boast a unified society and economy. A unified society and economy have three distinctive features: 1) the rural population accounts for a tiny proportion of the nation's total population; 2) comparative advantage between agriculture and other sectors has largely been eliminated; 3) industrialization is the main tool of urbanization. In the future, China too will certainly develop into a unified society, but the change will be painfully slow. The reason is that China's rural population is a high 80 percent of the nation's total population and consists of 800 million people in absolute terms. This is a very low starting point for reform. History has proven that developing urban industries attempting to absorb surplus rural population will not work in China. Reform has shown us a new way: transformation of the agricultural population on the spot by developing township and town enterprises in the countryside. While this option is basically consistent with national conditions, it has serious drawbacks. In what is essentially a case of "industrialization by the whole people," township and town enterprises have mushroomed in the countryside. These enterprises, however, are extremely scattered, operate on a tiny scale, and have a very low input-output ratio. This new form of industrialization has significantly widened the disparity between the rapidly increasing industrial labor force and shortages of basic industrial resources. In the past, city competed with city for electricity, oil, steel, and raw materials. In more recent years, however, the cities have been competing with the countryside as well as one another for electricity, oil, steel, and raw materials. The upshot is "scattering pepper everywhere," an ineffective method of allocating scarce resources. "Everybody gets something, but not enough to satisfy his hunger." Consequently, it is now commonplace for enterprises to close four days and open three days, close five days and open two days, or even suspend operations altogether. The fact of the matter is that the rush to implement the strategy of "industrialization by the whole people" at a

time when population pressures are enormous has only resulted in excessively fast economic growth for a short period of time without generating any momentum for sustained, steady development. Economic overheating, in turn, has been followed by production overcapacity, idling fixed assets worth enormous sums.

Since the development of township and town enterprises has been hampered by severe materials shortages, their ability to absorb the surplus agricultural population has also suffered. A large portion of the agricultural population remains on the land. Even those who are lucky enough to find work in township and town enterprises often continue to have a foot in agriculture due to fluctuations in production.

In short, the burden of population is such that China's dual society and economy cannot become unified in the near future.

#### **Population Burden Precludes Substantive Breakthrough in Effort To Open Up to Outside World**

The modern economic history of nations shows that when resource-poor nations with a small population and resource-poor nations with a large population emerge from their isolation to open to the world, their paths of progress differ tremendously.

**Foreign trade:** Provided they come up with a handful of highly competitive products capable of taking over a sizeable chunk of the international market, the per capita foreign exchange earnings of underpopulated nations will be quite high, making it possible for them to take advantage of the international market to satisfy their various needs and effectively overcome their lack of raw materials. Because of its massive domestic demand, the populous nation, on the other hand, cannot overcome its lack of raw materials merely by occupying a niche on the international market. Instead, it must export enough to account for a considerable share total world exports. For instance, to push China's per capita income to the average level in the world, Chinese exports must constitute about 22 percent of the world's total merchandise exports. In the past two years, however, Chinese exports made up a mere 1.4 percent of world exports, so the difference is huge. Clearly it would be impossible to bridge the gap between the two in the foreseeable future. Objectively speaking, therefore, although China has been open for 10 years, it is still a long way from being an export-oriented economy.

**Labor exports:** Underpopulated nations account for a small percentage of the world's total population, so even if they export a substantial proportion of their domestic labor force, such exports will not put the world labor market under undue strains. In contrast, China's population amounts to a large share of the world's total, so its labor exports would not constitute a sizeable share of its population. This too limits the extent to which China can be open to the outside world.

#### **Population Burden Prevents the Formation of a Standard Commodity Economy**

In 1984 we explicitly made the creation of a planned commodity economy more advanced and more efficient than its capitalist counterpart a basic objective of economic structural reform. But our drive for a large-scale commodity economy takes place as we labor under crushing population pressures and when our per capita resources are much lower than the world's averages. Thus as soon as economic structural reform got under way across the board, it has been plagued by serious shortages, which prevent us from creating our ideal standard commodity economy. Specifically:

- The standard commodity economy is a "buyer's market" economy in which supply exceeds demand. As such it is largely a "monetarized economy." Because of its huge population and enormous aggregate social demand, however, China's economy is one of scarcity, a "seller's market" economy. Shortages have given rise to a "coupon currency," along with various unhealthy trends and ugly phenomena: misuse of personal connections, entering through the back door, going into business by virtue of one's public position, and official and private profiteering. We can say that China's economy in the past few years is a hybrid: 10 percent coupon economy, 30 percent connection economy, 30 percent power economy, and 30 percent monetary economy.
- A standard commodity economy is one in which the law of value is fully operational. Because of persistent shortages, however, China has shied away from full-fledged market regulation. Our several attempts at price reform have suffered setbacks. Most prices, deregulated and otherwise, have followed a stubbornly upward trend. Faced with this grim reality, the state has no choice but to impose administrative control. Thus monopolistic buying and selling, price ceilings, general price inspections, the double-track system, and so on, are all around us.
- A standard commodity economy is an economy of free and fair competition in originality, quality, price, timeliness, and service. In China, because of enduring widespread shortages, the principle of competition has been compromised. In effect, "connections," "back door," and "power" have become the most potent trump cards. Instead of all-round, free, equal, and unimpeded circulation, there is "regional separatism." Instead of good quality, special, and original products, we have bogus, shoddy merchandise.
- A standard commodity economy is a contract economy, an economy built on good faith. In China, serious shortages have caused the economy to operate under immense strains, creating a highly unfavorable business climate for enterprises, one fraught with risks and pitfalls. Large numbers of contracts cannot be honored. Chinese enterprises violated contracts at these rates in 1988: state-run enterprises, 14 percent;

individual enterprises (including agricultural households,) 22 percent; and collective enterprises, 55 percent.

—A standard commodity economy requires the abolition of the system of permanent residency registration and mass circulation of personnel irrespective of regional divisions. In China, however, population pressures are immense, the rural population accounts for a large proportion of total population, and there is a wide gap in living standards between urban and rural areas. To relax the system of residency registration under these conditions is bound to lead to a flood of rural migrants into cities, bringing with it a host of serious problems like food, water, and electricity supply, transportation, housing, law and order, and employment, which will ultimately suffocate our cities and make it that much harder to control population growth.

To sum up, the practice of reform in recent years lends credence to what General Secretary Jiang Zemin pointed out in his speech on National Day, "Blindly weakening and even jettisoning economic planning wholesale will not work in China. It will inevitably lead to chaos in economic and social life." China's special conditions determine that we adhere to economic operating mechanisms that combine economic planning with market regulation.

#### **Population Burden Makes it Difficult To Press Ahead With Reform Comprehensively**

Individuals are the basic elements of a social structure. The bigger the population, the more complex the social structure, the more objects of reform, and the more these objects will differ among themselves. Accordingly, when we get down to the details of reform, we must distinguish between different conditions and treat them differently, instead of resorting to simple hasty methods of "cutting a tangled skein of jute with a sharp knife." This means that reform in China cannot proceed across the board at the same time but must be a more protracted and complicated process altogether.

Essentially all elements that impede reform impede the development of productive forces. Social factors like old production relations, political systems, and cultural ideas impede reform, but they can be eliminated through concerted vigorous social change within a time limit which is highly elastic. Sometimes change can be induced through radical action in a relatively short period of time. In contrast, the elimination of the population burden is governed by its own natural inviolable laws. Looking at China's population growth trend, even if strict control is imposed right now, we would still end up with 1.5 billion people by 2020 to 2030. Only then can we achieve zero or negative population growth, the ultimate goal being suitable population growth. Thus the change from excess population growth to suitable population growth must take place over a very long historical

period. During this protracted period, population pressures will continue to be an objective reality and will continue to impede reform and the development of productive forces long term. Accordingly, we must be fully ideologically prepared for the long-term nature of reform in China. History will prove that "the theory of rapid reform" has no chance of success in China at all.

#### **Family Planning in Mountain Regions, Problems, Solutions**

*90CE0006A Beijing ZHONGGUO RENKOU BAO in Chinese 16 Feb 90 p 3*

[Article by Yao Minhua (1202 2404 5478) and Li Shenye (2621 3234 2814): "Population and Development"]

[Text] Family planning is a basic policy of China, recognized and understood by the vast majority of its people. However, it has been very difficult to put into practice. This has especially been the case in some of the poorer outlying areas. As the masses say, family planning in the mountains is a deep valley, hard to travel.

#### **1. Present Status and Problems.**

In general, mountainous areas are hard to get to or communicate with, and economically undeveloped. The people who live in these areas have a low cultural level, are old-fashioned in their thinking and limited in their ability to accept anything new. In the recent past, and especially since the Third Plenary Session of the 11th Party Central Committee, the thinking of peasants in the mountainous regions has been much more liberated than it was before. Their views have also gradually become newer and changed, and the majority of the peasants understand and endorse the family planning policy. But it should also be noted that, for numerous complex reasons, family planning in the remote mountainous regions still faces many difficulties and problems. One of these is that traditional views are still deeply and solidly implanted in the minds of the peasants, such as "pass on the clan to each generation," "males are important, females are insignificant," "raise children to care for the elderly," and "many sons bring much prosperity." The peasants are greatly influenced by such old ideas. Multiple births are difficult to control. Mountain people marry early and secretly one after another, seriously attacking the practice of family planning. Some mountain peasants long for a change from their strenuous labor, and accepting their lowly status, continuously seek "males." The poorer they get, the more they hope to have sons, because they are trapped in the vicious circle of "the poorer they get, the more children they have, and the more children they have, the poorer they get."

The second is that in recent years, the difficulties in family planning work have become greater; rural cadres have serious misgivings, for they realize that carrying out family planning provokes people, and can lead to much work with very little reward, offending people with no result. Therefore, if they do not do their best to implement the appropriate policies, the inherent problems will

also be unresolved, and the work methods simplified, leading to tense relations between cadres and the masses, making for an ever more narrow road to travel.

The third is that the rural economy has such a weak base, with no guarantee of societal benefits. We still lack proper resolution of the problems of families with daughters but no sons, of the widowed elderly and their care. If all their daughters have married, then the parents have genuine anxieties about their old age.

Fourth are unresolved difficulties that actually exist for some families with daughters but no sons; these can extend to discrimination and insults, with their legitimate rights and interests unsafeguarded, and with troubles at home.

Fifth is the confused implementation of family planning policies, some interpreting it too strictly and others too broadly. This has led to a lack of consistent interpretation between regions, between departments, between town and countryside. It has even led to self-contradictions.

Sixth is the influence of certain businesses which come from abroad. In circumstances of opening up and producing, other regions, especially some Southern businesses which have been flowing continuously into the rural villages in the mountains. These people's original homes do not care about them, so they move without caring. They have actually become known as the "excess birth guerrilla forces." Nobody wants to talk to them about their unregulated births, which has a considerable influence on the masses in that area.

Seventh is publicizing misconceptions in public opinion. Up to the present, one can still see items in the papers stating that rural cadres want money, want food, want "life," (family planning), so are known as the "three wanting cadres." This kind of publicity has a very bad influence when broadcast widely among the masses of peasants.

In light of the aforementioned conditions, which have resulted in family planning work in some mountainous areas being locked into a difficult position, in some places there have been secret marriages and illicit births. There is a passive situation of those who have money paying the penalties for these births, those without money hiding them. The planned birthrate cannot be met, the natural population increase cannot come down, and this becomes a major, difficult problem, puzzling for leadership at all levels.

## 2. Countermeasures and Measures.

Confronting the grim reality of family planning work in the mountainous rural areas, when formulating the strategy for mountainous regions, it is essential to first study the problem of controlling population and family planning. When carrying out policy decisions, it is essential to pay attention to the influence of policy factors

upon family planning. It is also necessary to conscientiously oppose ideas of the past, look forward to the future, and realistically formulate countermoves and measures that are compatible with the realities of the mountainous regions, and can be implemented.

Initially, educate the peasants, helping them free themselves from the shackles of traditional views. Through various channels, various situations, various formats, unceasingly imbue the peasants with the party's family planning policy. Teach them about the population situation, making them understand that the practice of family planning will raise the quality of the populace. This will be of enormous benefit to their posterity, while blindly having children could be ruinous to themselves, and disastrous to that posterity.

Secondly, try as hard as possible to find points of agreement between national policy and public opinion, trying to resolve the practical difficulties of peasants in the mountain regions. Therefore, when carrying out the basic, national family planning policy, it is essential to do all one can to find points of agreement between this national policy and public opinion; otherwise, it will be hard to solve the problems. We discovered in a survey that regardless of what locality or unit resolved the actual problems of the peasants, family planning work was always smoother when some rural villages built homes for the aged, so that the aged in the rural villages are relieved of trouble at home. Poor families who practice birth control put all their efforts into getting assistance that will assist them in casting off their poverty, and so on. Regardless of who does it, when it is done this way, the masses are totally convinced, seeing family planning in an entirely new light. This reveals to us that in this difficult problem of family planning, we should also advocate dual-track thinking: we cannot embody the party's aims on the one hand by limiting births among the masses, while on the other hand embody those aims by putting ourselves in the masses' position in order to resolve the real problems they have. This is the key step in traveling this deep valley.

Next, unify family planning policies. First, when formulating policies from now on, it is essential to take the whole plan into account; this will be helpful in the further development of family planning work, doing everything possible to overcome "policy clashes." Second, in areas with similar conditions, the policies should basically be the same, to avoid variations in how strictly they are enforced. Third, implement policies strictly. In order to encourage the practice of birth control, from now on, appropriate preferential treatment should be given to those who are only children when getting a job or a school promotion. In helping the poor, we cannot make multiple-birth rural families the objective of efforts to aid the poor; even worse would be to penalize these multiple-birth families, while at the same time giving them relief payments. This would create "two covers." There should be heavy economic penalties levied for early marriages, secret marriages and early child-bearing; those guilty of these things should not

receive contract land or other materials of production. Fourth, preserve the continuity and relative stability of family planning policies: there absolutely cannot be frequent and unpredictable changes in these policies, which give the masses the wrong impression.

Fourth, adapt to new circumstances, trying our utmost to change work models and methods. Current family planning work in the mountainous regions must adapt to the demands of new circumstances, persisting in dealing with a multitude of families, disseminating propaganda widely and doing painstaking ideological and political work.

Fifth, grasp the management of mobile populations, strictly controlling the "excess birth guerrilla forces." Public security, commercial and family planning units should closely coordinate their work, combining to conduct a census, thoroughly checking and rectifying household registers.

Sixth, strengthen leadership and do service work well. Family planning work is a great project of our social system, and leading organizations at every level must strengthen their leadership. Every social stratum, every organization must act in close coordination, conscientiously doing service work well, really coordinating family planning with support for production and with economic construction. Progressively convert family planning from a post-pregnancy model to a pre-pregnancy model, from management that is a purely administrative control model to one that combines administrative control with economic service. This will enable family planning work in the poor mountainous regions to quickly travel that deep valley.

## AGRICULTURE

### Forecast of Grain Policies

90OH0262A Beijing ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY] in Chinese No 12, 21 Dec 89 pp 15-21, 34

[Article by Wu Shuo (0702 4311): "Medium-, Long-Term Grain Policies"]

[Text] To formulate China's medium- and long-term grain policy, we must proceed from the actual grain situation in the mid-1980's and forecast the grain development trend by the end of the century.

China's grain output hit a historic high of 400 million tons in 1984, took a nosedive in 1985, recovered in 1986 and 1987 only to slip again in 1988. For four consecutive years total output has been hovering below the output level in 1984. In contrast, grain consumption has soared since 1984. This was the basic grain situation in 1986: population, 1.06 billion; farmland under grain cultivation, 1.66 billion mu; total grain output, 390 million tons; and per capita grain consumption, 380 kilograms. Given the current per capita consumption of 380 kilograms, we will have a hard time justifying ourselves if we

fail to increase per capita grain consumption to 425 kilograms by the end of the century. (Based on the rate of consumption growth in recent years, per capita consumption may reach 475 to 500 kilograms by the year 2000.) The breakdown will be as follows: grain ration, 42 kilograms; fodder, 139 kilograms (may be converted into 42 kilograms of meat, poultry, and eggs and 30 kilograms of milk with the addition of grain byproducts); industrial and commercial grain, 42 kilograms; seed and waste, 20 kilograms. By the year 2000, China's population will be anywhere between 1.25 and 3 billion. Based on these figures, total grain output will range between 531.25 million tons and 552.50 million tons. If the amount of land under grain cultivation remains 1.66 billion mu, the 1986 level, (which is actually impossible,) their unit yield must be raised to between 319 and 332 kilograms, or up 35.8 percent and 41.3 percent, respectively. If farmland under grain cultivation is reduced to 1.6 billion mu (we must keep at least this much land under cultivation,) then unit yields must go up to between 332 and 346 kilograms, that is, up 41.3 and 46.9 percent, respectively. It is a herculean task, one that will not be accomplished unless we have great determination and take drastic measures.

Such may be the general scenario on the grain production and supply front for the next 12 years. It is also the basic starting point for us when we formulate the grain policy. As far as the grain policy is concerned, our underlying principle and policy must be to stabilize the amount of cultivated area, raise unit yields, control population growth, vitalize circulation, guide consumption, strive for grain self-sufficiency, and supplement domestic supplies with foreign imports so that in a normal year we can achieve a rough balance between grain production and consumption and between supply and demand. We should also try to avoid becoming either a major grain importer or exporter. Instead we should both import and export a reasonable amount of grain, which may vary from time to time.

In formulating China's grain policy, we should comply with objective economic laws, particularly the law of planned proportionate development and the law of value, among others. We should use a mix of planned regulation and market regulation. There should be successful planned guidance and macroeconomic regulation and control, but we should also rely on market mechanisms at the same time. Methods that combine planned regulation and market regulation can be divided into two major groups:

1) External or mechanical combination. In other words, major grain varieties are put under planned regulation while minor ones are put under market regulation. However, it will not work to put a certain amount of a grain variety under planned regulation while at the same time and in the same market let the market regulate the balance of the same crop. The difficulties and conflicts we have encountered with the double-track pricing system in recent years testify to this point.

2) Internal or organic combination between planned regulation and market regulation. We can refer to it as market regulation under planned guidance or planned guidance on the basis of market regulation. This is one form assumed by the organic combination between the planning mechanism and the market mechanism, between government intervention and market competition. It is entirely suited to the planned commodity economy and should be the guiding thought and theoretical base for us as we formulate the future grain policy.

China's medium- and long-term grain policy formulated in accordance with the above philosophy and reality should include the following:

1. Grain production policy. The thrust of grain production development in China is commercial grain. Varieties, quality, quantity, and distribution will be decided mainly by these factors: 1) National conditions and economic conditions; and 2) the supply-demand situation on the domestic and international markets. Based on these conditions and in accordance with the principles of suiting our policy to local conditions and making the most of our advantages, we must give more weight to social benefits and economic gains more than anything else and build commercial grain production bases in areas which are naturally suited for grain production, where grain production is fairly stable and there is great potential for increasing production, or where agricultural production conditions are extant. Production bases can also be built in areas with a high percentage or volume of commercial grain and good means of transportation. The creation of commercial grain production bases would facilitate the specialization, socialization, and commercialization of grain production. We can also develop the fodder and livestock industries, converting grain into meat, poultry, eggs, and milk, and food industries, processing grain into finished or semi-finished products, in these commercial grain concentrated production areas.

As production carried out for market exchange, commodity production must be compatible with market demand. It follows that grain and commercial grain production must be planned in accordance with national economic needs, the supply-demand situation on the domestic market as well as favorable elements on the international market. Even as it does its best to increase the total volume of grain supply on the macroeconomic level, the state must keep it in balance with the development of nongrain production, especially the development of heavy industries and population growth. The development of grain production must be considered and planned in the context of national economic development. This is the demand of the law of planned proportionate development.

In a socialist country, the achievement of the strategic goals of increasing total grain output and solving food problem is contingent upon an improvement in production conditions, an increase in inputs, a more advanced level of science and technology, and better management.

In the final analysis, what counts is the peasants' enthusiasm for growing grain. This is because all grain producers hope to match and even exceed the average return of the industry. Without material interests and profits, commercial grain producers will not be able to expand or even maintain operations. As a result, changes and fluctuations in grain prices are a principal factor guiding marketable grain production. This is how the law of value, as a universal law of commodity production, regulates socialist commodity production. In carrying out its grain production policy, therefore, the state must adopt comprehensive measures regarding prices, taxes, investment, credit, land relations, and science and technology. Among these, the most important is price policy, followed by the land policy.

(1) The grain price policy should rest on the law of value and embody the principle of exchange of equal values. The basis of grain pricing must be value, or socially necessary labor. In a socialist commodity economy, there are usually two ways in which grain prices reflect value. One, we can deregulate grain prices and let the market regulate them. In other words, make prices approximate value through "deviation" by applying the law of value. That is to say, form prices through market competition. This form has been in common use for several centuries in market economies that applies the law of value. Within a framework of market regulation, the state protects the producer's interests by protecting the prices of grain, thereby ensuring the stability of grain production. It can also protect consumer interests by imposing price ceilings, thereby ensuring the stability of grain consumption. Price protection and price ceilings are usually achieved by the government's planned regulation of the market, which means that when the market is weak the government buys up the surplus, and when the market is strong, the government puts additional supply on the market, and not by administrative fiat. Two, the government sets prices in accordance with the principle of the exchange of equal values. By directly calculating labor costs, the government determines the planned prices for grain. In so doing, however, it also considers market prices (for instance, by adding an appropriate coefficient to the price the year before or three years back). At the same time, it must assess the reasonableness of planned prices through changes in market supply and demand and adjust them accordingly so that the planned prices of grain accurately reflect all sorts of economic relationships, productivity, changes in the supply-demand relationship on the market, and changes in monetary relationships. Obviously we must comply with objective economic laws and realize the internal integration of planning and the market whether we adopt the first or second approach.

Right now the double-track pricing system applies to the procurement prices of grain (wheat, rice, and maize). That is, planned prices and market prices exist side by side, with the former being much lower than the latter, particularly in grain-deficit provinces and regions. Government procurements from the peasants that do not

constitute exchange of equal values have also been increasing by the day. As agricultural production costs continue to rise in the days ahead, and what with currency depreciation and changes in the supply-demand balance, the general trend is for grain procurement prices to drift further and further away from market prices. It follows that we must straighten out grain procurement prices if we are to have exchange of equal values in grain prices. (1) Raise planned procurement prices gradually by adding the difference between the existing list price and market price. Having done that, we must, in addition, adjust prices annually in light of changes in production costs, currency value, and the market supply-demand situation so that they would be rationalized gradually and approximate or equal market prices. (Pay off old debt and run up no new debt.) Certainly this is the more ideal solution, but not one that is easily achievable given the current fiscal and economic conditions. (2) Clear new debt quickly but delay paying off old debt. Adjust grain procurement prices each year based on increases in production costs and inflation. Reduce the price differential year by year, our fiscal resources permitting. As the core of the prices of agricultural products, grain prices should be the cornerstone of the prices of agricultural products. Once grain prices are straightened out to reflect value, fair market conditions, necessary for the adjustment of the entire mix of crops and the stabilization of the prices of agricultural products, would prevail. And once grain prices are straightened out, grain growers would become enthusiastic about producing commercial grain, thereby assuring a stabilization of the amount of farmland devoted to grain and an increase in inputs and unit yields. So it should be said that rational grain procurement prices are critical to the realization of China's grain strategic goal for this century: per capita grain consumption of 425 kilograms.

(2) Land Policy. Under China's existing land policy, land is collectively owned and is farmed by peasant households. The biggest problem with the current land management system is that land has become fragmented and the scale of management is too small. Also, there is confusion surrounding the concept of collective ownership, land management is lax, and the taking of farmland is getting out of hand. By and large the theoretical community has put forward three solutions to the land problem. First, the state owns the land and leases it to peasants. Second, the land should be collectively owned, but peasants should be allowed to operate it on contract or lease it. Third, private land ownership. The first solution points in a specific direction and aims at a strategic objective, which can be achieved only gradually through a series of steps. The third solution does not point in any direction and may be considered a regression. For a long time to come, therefore, China should continue to practice collective land ownership, with peasants farming the land, but the policy must be improved by adjusting land relations, improving land management, encouraging land concentration, and increasing the efficiency of scale management. 1) In areas with the right conditions, such as an advanced

commodity economy, the specialized management of grain production must be accelerated and the proportion of commercial grain output should be raised. Encourage and guide the concentration of farmland management. Improve the contract system in such a way that contracting households farm a continuous unbroken stretch of land. Gradually concentrate farmland in the hands of peasants who are good farmers. With the necessary administrative and economic tools, the government should encourage those peasants and their family members who are already engaged in non-agricultural pursuits to part with their land. 2) Townships and villages should establish a land management committee to improve the management of collectively owned land. People who take their land out of contracting should be offered reasonable economic compensation. Mismanaged or abandoned farmland must be retaken and then contracted to competent peasants. 3) Strictly limit the conversion of farmland into nonfarmland. The taking of farmland must be incorporated into the national plan. The examination-and-approval formalities for such taking must be rigorously enforced, as must the nation's "Provisional Regulations for the Farmland Occupation Tax."

In 1986 the production of commercial grain was concentrated in 1,062 counties, which between them supplied 96.89 million tons of commercial grain, or 81 percent of the national total. As grain prices become rationalized and further adjustments are made in the structure of agriculture, there will be changes in the lineup of commercial grain concentrated producing areas. For the time being, however, the stable development of grain production in these 1,000 counties is pivotal to solving the grain problem and ensuring that market needs are met. Accordingly, the state must concentrate on them financial and material resources as well as science and technology.

The state must increase agricultural investment and encourage localities, collectives, and peasants to do likewise. Agricultural capital construction should be made a crucial part of capital construction as a whole. In addition, peasants should be mobilized to engage in farmland capital construction in slack season. Investment in industries producing goods for use in agriculture should be gradually increased, particularly investment in the manufacturing of chemical fertilizers and ground cover, which directly help increase grain output and lower costs. Normally, industry-in-aid-of-agriculture funds from rural collective enterprises and township and town enterprises should not be directly distributed as rural consumption funds but should mainly be spent on farmland capital construction and to encourage the scale management of farmland as appropriate.

The state should balance the tax burden of grain growers vis-a-vis that of their nongrain counterparts. Before the income tax becomes a reality, the state should pass a law to levy a special product tax on excessively profitable industries, such as fruit-growing and aquatics, and use the money thus generated to adjust grain prices upward.

Such an approach will not only appease grain growers, but will also help adjust the rural industrial structure. Moreover, the state should adopt a preferential economic policy in favor of grain production; for instance, by giving grain growers priority in the supply of agricultural capital goods (particularly chemical fertilizers, ground cover). Offer them interest-free or low-interest loans, encourage the concentration of grain fields in the hands of special households, set up family farms or cooperative farms, and improve the efficiency of scale management.

2. Grain circulation policy. China's grain market should be a unified national market, not a fragmented local market. That grain circulates in economic regions is dictated by market laws and the internal law of commodity movement and is not subject to human wishes.

The purpose of a grain circulation policy is to make sure that all channels for the movement of commodity grain flow freely and smoothly without obstruction, enabling such grain to travel from producing areas to where they are sold, from rural areas to the cities, and from grain-surplus to grain-deficit areas, via the most logical circulation routes, in the least amount of circulation time, and at the lowest costs. It is the function of a grain circulation policy to promote production, guide production, safeguard supply, and guide consumption.

The value of commercial grain is realized in the course of circulation. In setting procurement prices and retail prices, the grain circulation policy must follow the principle of the exchange of equal values. Grain procurement prices (producer prices) are costs plus average return on agriculture. We must ensure that grain producers obtain the average return on agriculture, with those who are exceptionally good managerially and technically earning an above-average return. Selling prices must be such that commercial enterprises buying and selling grain receive the average return on commerce, that is, procurement prices plus commodity circulation prices plus average return on commerce, with those which are exceptionally well managed obtaining an above-average return. Circulation prices must include the various price differentials, such as the regional price differential, seasonal price differential, wholesale-retail price differential, quality price differential, and buying-selling price differential. If we abide by the objective laws above, we will be able to use the law of value to regulate the production, circulation, and consumption of commercial grain successfully.

The purpose of the grain circulation policy is to exercise economic leverage through prices, financial subsidies, tax, and credit to regulate the circulation of commercial grain, taking into account the interests of grain producers, dealers, and consumers, as well as those of the state, enterprises, and individuals. We know that commodity exchange is superficially the exchange of an object but essentially reflects the social and economic relationships between individuals. Since 1961, the Chinese government has been taking money from the treasury and giving it to grain consumers in the form of price

subsidies, a substantial part (about half) of which is guaranteed to the finance departments at the provincial and autonomous regional levels, all the way down to the county. For this reason, commercial grain circulation not only reflects the social and economic relations between individual members of society, but is also an expression of the economic relations between the central government and local (provincial, municipal, and county) governments, and between areas that "export" grain to other parts of the nation and areas that "import" grain. All this complicates grain circulation, making the social and economic relations in commercial grain circulation that much more involved. Right now producers demand higher prices, dealers demand legitimate profits, and consumers demand prices that are reasonable and affordable. Meanwhile, the Ministry of Finance wants to stabilize and gradually cut back on subsidies. Thus, grain circulation remains a price issue and financial and economic issue. In the final analysis, a price issue is one of finance. If the numerous economic interests mentioned above can be reconciled with one another, commercial grain production will increase steadily, commodity grain circulation will flow smoothly, and consumption will also become more rational. The grain circulation policy is that point where the interests of all parties come together.

The grain circulation policy must be compatible with the strategic status of grain as the base of the base. At present, the worst contradiction in our grain circulation policy is that procurement prices are too low and are drifting further and further away from market prices, an extremely unfavorable situation from the perspective of stabilizing the development of grain production, fulfilling the grain production plan, and circulating grain between regions. For this reason, grain output will not hit 500 million tons if we do not end the exchange of unequal values with peasants.

In broad terms, our mid- and long-term grain circulation policy should be this. Peasants should provide the state with the necessary grain in accordance with the procurement plan. The prices the state pays peasants should be fair and reasonable and constitute an exchange of equal values. Grain sold by the state at low prices and negotiated prices should be incorporated into the plan in the interest of comprehensive planning. When conditions are ripe, the hidden subsidies for grain sold at low prices should be gradually replaced by open subsidies. The grain market should be opened up and must be managed; it must not be allowed to drift. The goal is to "manage it without stifling it, vitalize it without inviting chaos."

It follows that the present grain circulation policy must be adjusted. As part of the adjustment, we must differentiate between different regions and treat them differently. We must manage as well as relax, combining the two so that one can supplement the other. In principle, market regulation under planned guidance should be applied to major grain varieties (planned prices should play a bigger role, negotiated prices, a lesser role), market regulation to minor grain varieties. The procurement

and sale of low-price grain should be under command planning, while that of negotiated price grain should be under guidance planning. State-run grain enterprises should play a major role in wholesale, supplemented by supply and marketing cooperatives, but a variety of economic players should be allowed in the retailing of grain.

In principle, the selling of grain in cities should be the province of state-run grain companies, while a variety of economic players should be allowed in the countryside. Urban residents must still face grain rationing, while industrial grain must be supplied at negotiated prices.

(1) **Grain procurement policy.** Under the current grain procurement policy, two kinds of prices and two procurement methods coexist on the market of a variety of grain. Objective: "one plane dead, one plane alive." Adhere to contract procurement. Deregulate negotiated procurement and market procurement. Supplement the negotiated with the unregulated. Increase economic benefits for the grain grower. Mobilize the enthusiasm of grain producers. Improve the substance of contract procurement by pegging procurement prices and advance payments for chemical fertilizers and diesel oil, on the one hand, to procurement tasks, on the other.

Nevertheless, these goals of the grain procurement policy cannot be achieved in China's present financial and economic climate.

1) Practice proves that the biggest trouble with "double-track pricing" is that procurement prices are drifting further and further away from market prices. There are as many as four kinds of grain procurement prices: namely, contract procurement prices, state account prices, negotiated procurement prices, and country fair prices, one higher than the other, the lowest being contract procurement prices. The trend is for contract procurement prices to drift further and further away from market prices, which means that it does not pay for peasants to sell grain to the government. Thus, despite repeated moves on the part of the government to stress contract procurement, calling it an "economic contract as well as a task" and "an obligation peasants should fulfill" and even augmenting the economic contents of "triple pegging," it has become increasingly difficult to fulfill contract procurement tasks. To fulfill these tasks, local governments at all levels have no choice but to bring back 30-year-old measures coordinated with the official monopoly on grain purchasing. Peasants have been complaining about a "covert monopoly on grain purchasing which is worse than the old monopoly."

2) As a transitional method, the double-track pricing system is acceptable and represents an improvement upon the old system with just one set of state-monopoly prices. As a long-term solution, however, the double-track pricing system is undesirable. This is why: Contract procurement prices, negotiated procurement prices, and market prices are all organically related to and influence one another. In a planned commodity economy, how any

one crop fares on the market is inevitably determined by the law of value and the law of supply and demand. Artificially dividing it into two parts, one under planned regulation, the other under market regulation, is objectively impossible. The present reality is that the part that is supposedly under control is not controlled, while the part that is supposedly vitalized is not vitalized.

In the short haul, we cannot do away with the "double-track pricing system," which has created its own set of insurmountable problems. Therefore, we need to work out a transitional response that will both narrow the price differential for peasants and bring us closer to the grain procurement policy described above. Under this transitional procurement policy, procurement tasks will remain unchanged, but procurement prices will be raised gradually to reduce the gap between them and market prices. As mentioned above, procurement prices may be raised gradually by either one of these methods: "pay off old debt and run up no new debt," or "clear new debt but put off paying off old debt."

(2) **Grain selling policy.** One glaring problem about the existing grain selling policy is the two "mismatches": the sales volume of low-price grain exceeds the procurement volume of procurement grain and the selling price of low-price grain is lower than the procurement price. The gap between procurement and selling prices is widening by the day, creating a burden on the national coffers that is getting more and more onerous. Part of the burden is being shifted onto grain growers. This is a fundamental reason why procurement prices cannot be straightened out any time soon.

In the future our grain selling policy should first aim at restructuring the selling of low-price grain, gradually limiting it to what is needed to protect the interests of low-income consumers. Restrictions should be imposed on the three processed grains: standard rice, standard flour, and cornmeal. Second, the selling of negotiated-price grain should also come under guidance planning. In the foreseeable future, the supply of low-price grain should be limited to grain ration for the nonagricultural population in townships, relief grain for disaster-stricken rural areas, and the ration for immigrants in the reservoirs, salt people, and impoverished peasants with no grain. The selling of grain at negotiated prices should be expanded. State-run grain departments should make sure that there is enough to meet supply. Such selling should be incorporated into the plan. Prices should be deregulated to float with the market.

(3) **Grain import policy.** The grain import and export policy of a socialist country is designed to ensure a balance between supply and demand at home and to take advantage of the international market for agricultural products in order to regulate surpluses and shortages at home. In other words, the grain import policy must consider economic and social benefits and follow the law of value. The import and export of grain must be considered in conjunction with the import and export of

other agricultural products. The economic costs (including energy costs) must be weighed to identify the most economical and uneconomical grains for import and export purposes.

In drawing up the agricultural production plan, therefore, we must bring together and consider all pertinent factors relating to the international market as a whole and make rational choices.

(4) Financial subsidy policy. The government is expected to continue subsidizing grain prices for a long time to come. Nevertheless, the amount of such subsidies should be stabilized and conditions should be created to replace hidden subsidies with open ones. Thus appropriate changes need to be made to the grain subsidy policy to transform the current multi-stage multi-item subsidy system into one that has just one step and one item.

1) Subsidize the procurement stage. That is, the government should pay the difference between the procurement wholesale price of procurement grain (procurement price + procurement costs) and the delivery price payable by commercial enterprises when they take delivery (monopoly selling price - circulation costs - commercial profit)

2) Subsidize the selling stage. The government should pay the difference between the selling price (procurement price + circulation costs + commercial profit) and the monopoly selling price. Things would go more smoothly if the procurement stage is subsidized.

The Ministry of Finance can control the total amount of subsidy each year by fixing the commercial circulation costs of grain under monopolistic purchasing and the profit margin of grain enterprises in accordance with the annual grain procurement plan and the annual grain monopolistic sale plan approved by the State Council.

(5) Grain market management plan. Grain is an important agricultural product that impacts the nation's economy and people's livelihood. Whether it is low-price grain, negotiated-price grain, or collective fair price-grain, we must practice strict market management and establish market order to prevent blindness and speculation. Today we allow a multitude of economic formats and permit different sectors to buy and sell negotiated price grain. But we have neither a standardized wholesale market nor a unified management method. Grain selling prices are usually arrived at through secret negotiations between the buyer and seller; they are not the outcome of open competition on the wholesale market. Enterprises and merchants in the grain business all behave in a short-sighted manner. When there is a crop failure or when grain prices soar, they scramble to procure at inflated prices. When there is a bumper harvest or when grain prices drop, they refrain from buying and take a wait-and-see attitude. All this complicates buying and selling and causes chaos on the market. There is a high degree of haphazardness and much speculation, which is unfavorable to producers, consumers, and dealers alike, and even caused grain prices to soar on two occasions. Chaos set in before the market

was vitalized. The management of the grain market is primarily aimed at people who deal in grain, not producers or consumers. The former numbers in the thousands, a manageable size. The latter numbers more than 100 million households, simply too many to manage. To manage dealers, we must first control the wholesale link, particularly procurement and wholesale merchants. An examination and approval system should be instituted for enterprises and merchants who specialize in dealing in grain. All commercial enterprises and merchants who buy or sell grain must be examined and approved by a government agency in charge and obtain a permit from the industrial and commercial administration department. Merchants should be prohibited from operating without a permit. Enterprises shall not be allowed to engage in the wholesale of grain in addition to other lines of business. To engage in grain procurement and wholesale, commercial enterprises must meet legally stipulated qualifications. They shall be examined, approved, and issued a permit by the county or provincial-level industrial and commercial administration agency in the grain-producing area. Moreover, grain procurers and wholesalers should be limited to a handful of large reputable merchants. In case of a crop failure, a procurement quota system should be instituted. Procurement and wholesale enterprises which have been issued a permit shall coordinate their procurement activities and consult with peasants or their cooperative organizations on procurement prices. They shall not compete with one another by jacking up or slashing prices. Rural retail markets (including township agricultural markets) shall be open year round, with no restrictions on either producers or consumers. Commercial enterprises and peddlers shall only sell grain on the country fair. They may not procure grain.

As for the wholesale and trading of negotiated price grain, the government should encourage and guide the establishment of an organized, institutionalized, and limited grain wholesale market, draw up a market trading law, and develop futures trading and over-the-counter trading in grain wholesale.

3. Grain consumption policy. The grain consumption policy should guide the public's direct and indirect consumption of grain through planned guidance and the price mechanism so that the level of grain consumption remains below increases in grain output and supply and gradually resolve China's grain problem on the basis of the law of proportionate development and the law of value.

China's grain problem is basically a problem of fodder, industrial grain, and grain for food. This is the essence of the grain issue in the medium and long term. To narrow the gap between grain production and consumption and between supply and demand, we must guide grain consumption correctly and reverse the trend of excessively fast grain consumption growth as well as vigorously develop commercial grain production. On the macroeconomic level, the key is curbing the explosive growth in consumption funds caused by an excessive investment

demand and adjusting the consumption pattern and diet effectively. We must educate the people to make their eating habits, particularly their meat consumption, more scientific and create a food structure suited to China's national conditions. With that as a basis, we can then plan the quantity and extent of grain conversion. As far as grain consumption is concerned, the most important thing is to limit the amount of grain used in the fodder and brewing industries.

(1) The amount of grain used in the fodder, brewing, food, and other industries must be determined by the level of grain production and consumption and limited by the national plan. Although brewing and industrial grain is now supplied at negotiated prices, the amount must be based on the plan.

(2) The brewing industry has been growing too fast in recent years. In future the state must come up with a target for the consumption of grain by the industry and the industrial and commercial administration agency shall approve proposals to expand or build new breweries based on this target. The development of the brewing industry should be tightly controlled through such means as industrial and commercial administrative management, credit, and the tax code.

(3) A major effort should be made to develop the fodder industry into an independent industrial sector. From now on all commercial fodder should be processed into mixed or compound fodder. As for grain set aside by peasants for use as fodder, we should encourage them to process it first before use.

4. Grain reserve regulation policy. Agricultural production is highly vulnerable to natural conditions. Given the existing level of science and technology, our ability to resist natural disasters remains quite limited. Besides, China is a huge country with extremely varied natural conditions, so it is inevitable that there will be crop failures and bumper harvests, surpluses and shortages, from year to year and from region to region. Occasionally people in one region may have difficulty selling or buying grain. Imbalances between regions and varieties would continue for a long time. Hence the need for a large grain reserve and the ability to regulate at the macroeconomic level the grain supply on the market and hold down prices effectively.

The government must commit itself to creating a national grain reserve capable of handling serious natural disaster and encourage peasants to reserve grain. This is absolutely necessary. When there is a bumper harvest or in a normal year, peasants should be encouraged to set aside a certain amount of grain as a cushion against a crop failure. The government should set up a grain reserve fund. In addition, it should help and encourage agricultural cooperative organizations to establish similar funds so as to create a three-tier—state, collective, and peasant—grain reserve.

To stabilize the market and keep grain prices down, the government must also build up a grain reserve of a

specific size for regulatory purposes. In times of shortage, the government will put some of the reserve grain on the market. When the market is glutted, the government should buy up some of the surplus grain. It should be the government's responsibility to regulate surpluses and shortages and hold down grain prices. In doing so, it will protect the interests of producers and consumers alike. Accordingly, the government should set aside a certain sum of regulatory funds and grain and put a regulatory agency in charge of them. The government can play this regulatory role only with the backing of the treasury. Both profits and losses will be the responsibility of the treasury.

5. Policy on commercial grain enterprises. In China, the buying and selling of grain now features a multitude of economic players in different forms. This situation will continue in the future. To resolve the inconsistency between small production and large market, the most basic approach is to concentrate negotiated-price grain in the hands of grain growers via circulation organizations of all shapes and sizes and send it onto the wholesale market. Toward that end, we must, on the one hand, speed up the reform of supply and marketing cooperatives, and replace the buyer-seller relationship between them and their peasant members with an agency relationship. As agents of the growers, they will sell grain to the wholesale market. Needless to say, we can also help grain growers band together to enter the wholesale market by organizing grain marketing cooperatives. On the other hand, the reform of state-run negotiated purchase and negotiated marketing grain companies should be accelerated. Those companies at the county (municipal) level and below in grain-producing areas should be converted into procurement wholesalers and agents. Over time they should evolve into agencies similar to the wheat bureau in Australia to represent the economic interests of grain growers ready and eager to get the best price possible even as they also help implement the grain policy and provide planned guidance on behalf of the government. State-run negotiated procurement and negotiated marketing grain companies at the county (municipal) level and above in selling areas should be converted into marketing wholesalers or agents whose job it will be to sell wholesale to retailers and large grain consumption units. These companies may also serve as the latter's agents and make grain purchases on the wholesale market on their behalf. They can also combine wholesale and brokerage functions.

State-run commercial enterprises will continue to play the leading role in the buying and selling of grain. As the largest buyers and sellers of commercial grain, they still have a decisive effect on grain production and consumption. For this reason, state-run commercial enterprises should become independent economic entities, operators with their own decision-making authority and responsible for their own profits and losses. Government behavior should be strictly separated from enterprise behavior. In the future, losses caused by a government policy, such as when government offers subsidies to

urban and rural grain consumers through state-run commercial grain enterprises, should be completely taken care of by the government. On the other hand, the enterprise should be fully accountable for losses or profits resulting from their own business dealings. Profit-making enterprises should pay taxes as required by law. Money-losing enterprises shall not misappropriate government subsidies to make good their losses or disguise their business-related losses as policy-related. This is a precondition for vitalizing state-run grain commercial enterprises.

What state-run grain commercial enterprises buy and sell is a commodity that impacts the nation's economy and people's livelihood. After they are vitalized, we cannot let them get out of control but must keep them under planned guidance and indirect management of the state. What needs to be emphasized here is that after administrative management power, asset ownership, and enterprise operational autonomy are separated, we need to set up a state-run commercial assets management committee to manage state-run commercial assets. Since state-run commercial enterprises are owned by the whole people, their assets do not belong to the enterprise managers and employees. The state-run commercial assets management committee shall appoint a board of directors for the grain commercial enterprise, determine its business goals, major financial targets, and the distribution of after-tax profits, and assign them to the manager for execution. The enterprise manager exercises his professional business authority under the supervision of the enterprise party committee and workers representative assembly in accordance with the principles, targets, and plan determined by the board of directors.

#### Ministry Says Rubber Output Increases

OW0704224590 Beijing XINHUA in English  
1514 GMT 7 Apr 90

[Text] Beijing, April 7 (XINHUA)—China's rubber output, which has increased by an average of 9.1 percent since 1978, was 240,000 tons in 1989, making it the world's fourth largest rubber producer, an official from the Ministry of Agriculture said today.

China has 600,000 hectares of land devoted to rubber production, mostly in China's southern provinces. In 1989, Hainan Province led the country turning out 150,000 tons of rubber on 330,000 hectares, 60 percent of the country's total.

Yunnan, China's second largest rubber producer, turned out 50,000 tons of rubber last year with 40,000 hectares of rubber trees.

Yunnan has another 180,000 hectares of land suitable for growing rubber trees. The provincial government plans to expand the growing area to 160,000 hectares by the end of the century and produce 100,000 tons of rubber annually.

China now produces about 50 percent of the rubber it needs, as opposed to 10 percent in the 1960's, and earned 450 million U.S. dollars from exporting rubber products last year.

The Ministry of Agriculture is increasing investment in rubber production in the southern provinces and hopes for an output of 260,000 tons this year.

#### Statistics Indicate Farmers' Cash Income Up

OW1004080890 Beijing XINHUA in English  
0733 GMT 10 Apr 90

[Text] Beijing, April 10 (XINHUA)—Per capita net income for China's farmers was 601.5 yuan in 1989, a 10.4 percent increase over 1988, according to the State Statistics Bureau.

According to a bureau report, the farmers' net income from agriculture grew while their income growth rate from rural enterprises and service trades slowed.

The bureau attributed the income increase to last year's record grain harvest. Each Chinese farmer recorded an average increase in output of 14.12 kg and an average increase in annual income 21.6 yuan because of the increase in grain purchase prices.

The bureau said cash income from grain production increased by nearly 30 percent over 1988.

The 1989 figures also show that income gap among farmers has been widened and price increases for farm supplies and consumer goods affected the farmers' income.

#### Bacteria Used To Increase Rice Yield

OW1104045490 Beijing XINHUA in English  
0248 GMT 11 Apr 90

[Text] Beijing, April 11 (XINHUA)—Microbiologists in Guangdong Province, south China, have developed a new strain of nitrogen fixing bacteria which increases rice yields by 450 kilograms per hectare, the GUANGMING DAILY reported here today.

Bacteria necessary for fixing nitrogen in paddy fields are inhibited by ammonia, commonly used in fertilizers. The new strain, developed by scientists at the Guangdong Institute of Microbiology, is ammonia-resistant.

The new bacteria was tested on 16,600 hectares of paddy field at an average cost of 15 yuan (three U.S. dollars) per hectare in 35 counties last year.

#### Heilongjiang Begins Wheat Sowing

SK0804113490 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 5 Apr 90

[Text] As of 4 April, our province had sown 10 million mu of wheat, accounting for 40 percent of the plan. Nineteen state farms in 10 cities and counties, including Qitaihe, Boli, Suileng, Qingan, and Mishan, fulfilled

their sowing tasks. At present, the soil moisture content is good for wheat sowing. All localities should take advantage of this opportune moment to plant wheat.

### Technology Brings Rice Planting to Heilongjiang

OW1004030990 Beijing XINHUA in English  
1300 GMT 9 Apr 90

[Text] Harbin, April 9 (XINHUA)—Rice planting has come to northeast China's Heilongjiang Province since the development of technology for rice planting in frigid areas.

Rice seedlings are grown in plastic shelters in cold weather, and the early maturing rice strains are harvested in September before the first frost.

Rice was grown on about 740,000 hectares in Heilongjiang Province last year. The figure for this year is expected to reach 800,000 hectares.

### Liaoning Peasant Income

40060043E Shenyang LIAONING JINGJI BAO  
in Chinese 24 Feb 90 p 3

[Summary] In 1989 the per capita net income of peasants in Liaoning was 740.22 yuan, a 5.8 percent increase over 1988; however real income declined 7.2 percent after deducting price increases.

### Shandong Crop Area

40060043D Beijing NONGYE JINGJI WENTI  
[PROBLEMS OF AGRICULTURAL ECONOMY]  
in Chinese No 3, 23 Mar 90 p 14

[Summary] In 1990 Shandong plans to sow 120 million mu to grain and produce 33 million tons; cotton area 21 million mu and produce 1.2 million tons; and peanut area 11 million mu and produce 2 million tons. The intercropping and interplanting area will be over 40 million mu, of this interplanting of wheat with cotton will be 10 million mu, interplanting wheat with oil crops 4 million mu, interplanting wheat with tobacco and wheat with vegetables over 4 million mu, and interplanting wheat with corn over 28 million mu. Shandong has allocated 10 million yuan to develop 5 million mu of wheat and cotton.

### Shanxi Cotton Area

40060043C Taiyuan SHANXI RIBAO  
in Chinese 4 Mar 90 p 1

[Summary] In 1990 the planned cotton area in Shanxi Province is 2 million mu.

## CENTRAL-SOUTH REGION

### NPC Deputies Trained To Elect Public Officials

90ON0315A Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese  
No 12, 18 Dec 89 pp 21-22

[Article by Yang Chuanzhe (2799 0278 0772) and Li Fengsheng (2621 6646 3932): "How To Make the NPC Deputies Elect People of Their Own Choice—The New Research Topics on Cadre Work Section of Henan CPC Party Committee Organization Department"]

[Text] *Editor's Note: Fundamentally different from that of the Western capitalistic parliamentary system, our nation's National People's Congress [NPC] system is unique in its own characteristics. The probe and examination of how to enhance and improve the NPC leadership will not only have important theoretical significance, which is a major objective in the research of leadership science, but will also provide important practical meaning relating to our country's socialist political construction and to the primary concern of guaranteeing the broad masses a full execution of their own rights. For this, beginning this issue, our magazine will inaugurate the column "NPC Leadership." We welcome your comments.*

To seek out new avenues to reform the NPC electoral system and to develop a relatively scientific and democratic election work order, the New Research Topics on Cadre Work Section of Henan Provincial CPC Party Committee Organization Department, acting in accordance with the central organization department's united command, engaged in extensive investigative research and assiduously sought opinions from numerous sources, summed up the experience of election work learned from within as well as outside the province, and focused on several major problems currently encountered in election work. It enacted "Provisions on Provincial, Municipal, County (cities, districts) NPC Election Work (Trial)," and at Jiaozuo City's first meeting of the Seventh NPC in mid-April 1989, launched certain election work on a trial basis. Looking at the condition of the trial project, it seems to have not only strengthened and improved the party's leadership, but also fully developed democracy; the party committee's viewpoints were able to connect and unite with that of the deputies. As a result, the election of a city-level leading body proved to be rational in its voting structure and satisfactory to the people.

This trial election project put forth in Jiaozuo City sought to improve and experiment chiefly in the following areas.

**1. Support and Train NPC Deputies.** More than 70 percent of the deputies at the first meeting of the Seventh NPC in Jiaozuo City were newly elected. These deputies did not have a systematic understanding of a deputy's privileges, rights, and duties. A certain time period was especially set aside before the meeting to train these new deputies: organized and studied the required laws, rules

and regulations, and the various levels of authority organs on how to be a good representative of the people; methodically introduced the deputies' rights, obligations, and duties; and organized the deputies to engage in discussions on specialized topics, thereby enabling the deputies to understand and grasp basic knowledge, to increase their sense of duty, to raise their ability to participate in and discuss policies, and to correctly carry out the power of democracy.

**2. Formulation of Election Standards.** To enable the nomination of candidates and the casting of ballots to run on course, the trial election project presented a comprehensive analysis of the job positions, duties, special work characteristics of the provincial, municipal, and city NPC standing committees, people's government, people's courts, and people's procuratorate and of the leading members' age, specializations, aptitudes, and temperament and style. In accordance with the related policy regulations, the trial project clearly brought forth the "Principles for [Jiaozuo] City NPC Standing Committee Staff," "Principles for the [Jiaozuo] City People's Government Leading Group," and the "Job Requirements for Midlevel [Jiaozuo] City's President of the People's Court and the Procurator General of the People's Procuratorate." Upon approval by the entire body of NPC deputies, these provisions will be the basis in principle for the deputies to nominate and recommend candidates and to vote in the election.

**3. Introduction of Candidates From Many Aspects.** In the past, the NPC had only brief sketches of the candidates whose talents and character were not known to the deputies. This factor would easily create during the voting an effect of going by the "names written in alphabetical orders and in strokes" and by "whether the name is known or unknown." This way of voting was rather blind and not selective. To avoid this situation, the trial project suggested three approaches to smooth the way for the voters and the candidates: One, realistically introduce to the entire body of deputies the process of producing candidates and recommending candidates. Two, in addition to introducing to the entire body of deputies, in writing, the candidate's basic positions and brief biographical sketches, the project would also introduce the candidates' moral character and actual work achievements. The introduction of the candidates should generally be limited to 300-350 characters; the numbers of words being basically equal. Three, let the candidates for chairman and vice chairman of the city NPC, mayor and deputy mayor, president of the court, and procurator general of the procuratorate meet with the deputies, give a five-minute talk to introduce themselves and make known their viewpoints and stands. In this way, not only were the deputies able to better understand the organization's situation and its intent in recommending a candidate, but also, directly or indirectly, the candidate's the overall situation, thereby helping themselves in electing the leaders that they trust.

**4. Sound Working Organization.** In the past, the NPC did not have concrete organizational responsibilities in

bringing about candidates' nominations, status reports, documentation reviewing, and particularly about those candidates who were jointly nominated by 10 deputies. In order to concentrate on the effort to do well the above-mentioned work in a limited time, the trial project established an office to handle candidate work. The office has researched and drawn up a series of relatively complete work procedures, designed and published a "Register of Candidates Jointly Recommended by 10 Deputies to the First Meeting of the Seventh NPC in Jiaozuo City," which is to be written in by the deputies in accordance with the requirements. The office for candidate work would then be responsible for collecting, reviewing, and verifying the register before presenting it to the NPC Presidium for deliberation and ruling. At this meeting, seven candidates (three for NPC deputy chairman, one for deputy mayor, and three for members of the NPC Standing Committee) were nominated by joint recommendation of 10 or more deputies. Because the number of candidates nominated for NPC deputy chairman exceeded the limit stipulated by law, the office for candidate work published the "[Jiaozuo] City NPC Standing Committee Deputy Chairman Candidate Deliberation and Opinion Vote" to consider the list of candidates. All listings of candidates for NPC deputy chairman were forwarded to the entire body of deputies for discussion. An official nominee would then be decided based on an opinion by the majority of deputies. This approach further formulated standards and procedures for deliberation and discussion, nomination, confirmation of nominees and other related work during the convening of the NPC.

**5. Establishment of Provisional Party Committee.** In the past, the NPC did not establish a provisional party committee. It was left to the various groups of deputies to establish provisional party branches. But the provisional party branches have no leadership, are unclear about their hierarchical relationships and responsibilities, and were in a difficult position to play a role. This time the Jiaozuo City NPC established a provisional party committee and assigned the major leaders of the city party committee to be the secretary and the deputy secretary of the provisional party committee. As a result of the establishment of the provisional party branches, all deputies were able to straighten out the party leadership relationship and clearly define the scope of responsibilities. During the conference, a series of party committee meetings and deputies and party members meetings took place, relaying party's policies on party regulations and positions; studied and resolved important problems; and requested party members to lead and get things done in accordance with law and do well in ideological work.

The trial election project has the following four characteristics:

**First, the embodiment of the principles of democracy and openness.** The trial election project carried out the "three openness" in election standards, the process of producing candidates, and the candidates' status, letting the

voters understand, differentiate, and select a leader in whom they had confidence, carrying forward democracy through the entire election process, and implemented the principles of democracy and openness fairly well. It was the deputies' overall feeling that their democratic rights had gained respect, the ballot was a clean vote, and the candidates they voted for had their votes of confidence.

**Second, outstandingly performed an election of the best.** The candidates nominated are mostly outstanding cadres from the local districts. Starting with a group of superior cadres, the voting deputies were able to determine and select the best of the lot to meet the anticipated objectives. The election results clearly revealed the leading group members' age, specialization, style, intellectual ability, and so forth, making the group quality of a reasonable mix and its entire group superior.

**Third, improvement of work procedures.** The trial election project has carried out rectification and improvement in election work because it laced standards and sound procedures. The project established and completed some 10 items of work procedures, from training the NPC deputies, determining assignments and duties, and nominating candidates, to voting, electing, and announcing the election results. It also stipulated with clarity and certainty concrete work links of the various procedures and ensured the implementation of the voting laws and regulations and the execution of peoples' democratic rights.

**Four, strengthening and improving the party leadership.** The first thing was to take the lead to do things by the law. The party committee had carried out guidance on election work strictly within the confines of laws and regulations, conscientiously implementing various procedures. The presidium is responsible for routine NPC work, from arranging conference dates to deciding whether candidates, jointly nominated by the party committee and the deputies, should be presented to the NPC for election, all done in accordance with laws and regulations. The party committee leaders all attended as NPC deputies or members of the presidium to support the presidium's work. The second thing was to pay close attention to opinions from within as well as outside the party. During the meeting, various ways were adopted to hear and to accept the rational views and reflections from within and without the party, and to study and resolve, in a timely fashion, problems that would set trends. The third thing was doing well in the work of teaching, guiding, and deepening at every link of the chain. By determining the terms of duties, election methods and procedures, and by providing proper guidance, the trial election project has further translated the party's position through legal process into the will of the state and its people. Due to the strengthening and improving of party leadership, no material was passed out without authorization at the NPC session, and there was no canvassing, no disparaging of other contestants while elevating oneself, no engaging in shady deals such as vote buying, and no other improper activities, ensuring healthy progress of the congress.

**Guangdong's Xie Fei Discusses Ideological Problems**

90ON0417A Guangzhou WENMING DAOBAO  
in Chinese No 1, 10 Jan 90 pp 5-7

[Article by Xie Fei (6200 7236), deputy secretary, Guangdong Provincial CPC Committee, from speech given at the Study Seminar for Town and County CPC Secretaries (WENMING DAOBAO is the new name for the journal KAITUOZHE—PIONEER)]

[Text] During the past 10 years, efforts put into political ideology work in Guangdong Province have been quite effective. Outstanding results are seen in the firm criticism of the "two everythings," efforts to root out confusion and distortion, and promotion of a practical ideological line, to stimulate people into shedding their rigid thinking and renewing their concepts. This has allowed them to explore patterns and find ways to implement reform and openness for modern restructuring, and also to summarize their experiences for carrying out massive education efforts in the service of socialist democracy and building a legal system. Within the party, education on party discipline, with emphasis on clean government and particular attention to Haifeng's "Wang Zhongan incident" and the "Hainan auto incident" as examples to implement socialism-oriented education that is disciplined and law-abiding, has been carried out. Furthermore, with respect to improving political ideology work in this new era, some experience has been accumulated from some beneficial trials and explorations. However, in retrospect, we see mistakes and problems in our political ideology work that must be corrected and improved. Some problems and their solutions are now discussed.

**1. Tendency To Overlook Political Ideology in Guiding Ideology**

Some comrades feel that since the party focus has been diverted toward economic construction, political ideology work is no longer that important. As long as the economy improves, ideological problems for people will diminish. Another view feels that only a measure of rigid administrative management based on compensation given according to work done can resolve the problem. As far as a soft approach such as ideological education goes, people can choose to listen or not, for it cannot solve problems. Some comrades also feel that because some "leftist" tendencies were found in criticism of political ideology in the past, they mistakenly think that promoting political ideology work is equivalent to supporting the "left."

Because of muddled confusion such as that described, political ideology work has never been placed in a position of importance, and people tend to overlook or even look down on such work. Or, when such work is initiated, little enthusiasm is generated. The result is instability among a weak and unsteady work force, and

many comrade administrators in various fields frequently bury their heads in their work without giving a thought to political ideology.

Such a state of affairs must be changed. I think some important views of Comrade Mao Zedong on political ideology, such as a command of ideological education being a central link in the great political struggle unifying the whole party, or the view that political work is the lifeline for all economic activity, or ideology must lead, or all people must be spirited and enthusiastic, and so forth, are still applicable in the present. We must remember that our task is not only economic development, but the training of a new generation of socialists. We must develop our economy in the direction of socialism, for which we must have ideology appropriate to this economic base. Political ideology work in the past was a strong moral force for uniting the people to win over their enemies. It is still a vital moral force now uniting the people to overcome various difficulties and build a strong, modern socialist nation. We should continue to carry on this outstanding tradition of our party. In the new era, political ideology work cannot be curtailed, but be strengthened and continually improved upon.

**2. Firm Hold on the Four Basic Principles and Opposition to Liberal Capitalist Education**

For a time, advocating erroneous ideological trends that state the party should be diluted, that socialism is not like capitalism, that Marxism is "passe," and so forth, to eliminate the people's democratic dictatorship, was popular with some people. In face of these erroneous ideological concepts, our political ideology work was even more ineffective. This was caused particularly by the attitude of the two-term Communist Party general secretary, Comrade Zhao Ziyang, toward this problem. We must now learn from this experience to prevent repeating historical mistakes that would hinder the work of the "four modernizations." The most important lesson to be learned from this problem is that we must concentrate our efforts during this new period of "four modernization construction," and not forget that reactionary forces aimed to overthrow the Communist Party leadership and bring down the socialist People's Republic of China abound at home and abroad. Moreover, such political struggle is frequently reflected in the realm of ideology, which, when mixed with the recognition problem in people, will determine the complexity and duration of the struggle. In this respect, we must constantly be clear-headed and not let down our guard.

Some comrades have suggested that open reforms not only require correction of past "leftist" mistakes, but also require knowledge to maintain the four basic principles. We must deal with this problem in earnest, from theory to practice, which requires a solution to the unification problem of "one center with two basic points." Generally speaking, reforms refer to regulation and adjustment, reorganizing that part of the top-level

structure not suited to the economic base, and that part of production relationships not suited to productivity development.

This, in a way, is the course of socialist self-sufficiency and self-development. Firm adherence to the party leadership requires improving the party leadership and carrying out reforms in the political system, which is different from what liberal capitalists, in attacking us as practicing "one-party rule," would like to see established as an opposition party in a "tripartite setup." While firm adherence to the socialist course is not following closely principles of "large public ownership," egalitarianism, or "all eating from common rice bowl," it is not practicing a characteristically private capitalism either. We must adhere firmly to a multi-economic component system where public ownership plays the leading role, and large-scale national enterprises constitute the main body. What we must follow closely is the principle of "distribution according to work" to attain mutual prosperity and overcome the phenomenon of unequal distribution.

On the basis of national conditions in China, we must build a socialism that is characteristically Chinese. A firm adherence to Marxism, Leninism, and Mao Zedong Thought requires following their basic principles, viewpoints, and methodology closely to analyze and resolve problems. We must develop them further through application and not be satisfied with going through the motions in a dogmatic way. In a strict adherence to the people's democratic dictatorship, the most important thing is the determination to be vigilant, to fight enemies at home and abroad who are scheming to overthrow the socialist China. We must be determined to fight all kinds of crimes. The complexity and duration of these types of struggle must be fully understood ideologically, for they must depend on the people's support, to strengthen socialist democratic and legal institutions.

At any rate, two fundamental points make up dialectical unity—perseverance and development. The four perseverances form the nation's foundation, and reform and openness build the road to national strength, with the two complementing and supporting each other. Only by following the four basic principles closely, can reform and openness have a resolute leadership core, a firm political orientation, a correct guiding ideology, and a stable social environment to activate a high concentration of people power and activism. Without the "four perseverances," reform and openness become trees without roots, ultimately deviating from the socialist orientation, and socialist disturbances appear to finally obstruct modernization. The political disturbances that occur this time fully explain this point. At the same time, only unswerving perseverance toward reform and openness can step up productivity. It will give the superiority of the socialist system full play, for the people to prosper and the nation to grow strong and overcome reactionary forces wishing to overthrow socialist China. Ten years of reform and openness have underscored this point forcefully. Now we should take advantage of the political disturbance this time and deal with this negative

example which may serve as a lesson, by following the four basic principles, and by opposing capitalist liberal education with education based on the party line, to facilitate its firm and proper implementation.

### 3. Strengthening the National Interest, the Collective Interest, Long-Range Interests, and Education on the Spirit of Service

In social policy for the present time, to fully motivate the worker we must follow closely the principle of "distribution according to work." We must promote various contract systems to stimulate production and motivation in localities and enterprises. We must develop a socialist commodity economy and operate according to the law of values to stimulate productivity, etc. These basic policies all exert an active effect, proven to be correct by practice. We must continue to persevere."

However, is it possible to depend only on these policies without political ideology work? The understanding of some comrades on this problem is muddled. They have become quite relaxed in dealing with educational matters concerning national, collective, and long-range interests and education in the spirit of service. As the result, in actual everyday life and work, we see the phenomena of taking without service, making money without principle, concentrating only on personal interests without consideration for the national and collective interests, and looking only at the small picture without the larger one. In particular, we must point out here that ideologically, we must be on guard against the tendency for selfish interests and the worship of money. We must be on guard against the social phenomenon of "seeing everything through money," and any kind of money is "takable." If this situation is allowed to continue, the relationship between people will be narrowed to that of money, naked without pretense. All idealistic thinking and upright morals will suddenly become extinct. All personal socialist philosophy and global outlook will be abandoned and allowed to die. Should this situation appear, the socialist system will break down, the socialist foundations will be upheaved, and reforms and openness will deviate from their proper orientation.

For these reasons, education in this area must not be relaxed. At the same time, policywise, the problem of unjust distribution must be overcome. Prospering through hard work and operating legitimate enterprises are to be encouraged. Making money by any means is not to be encouraged, and those breaking the law are to be dealt with accordingly. At present, because of policy imperfections and system loopholes, some people who engaged in illegal operations to avoid paying taxes have suddenly become wealthy, with some reaping a double bonus of wealth and honor, being cited as "capable people" who set "examples of the rich making contributions." Conversely, those law-abiding persons lose out, with no acknowledgement from society and the media.

Such a situation has a negative effect on society, leading to a mixup in personal values and standards. We must

pay great attention to this problem. In treating the various benefit and interest relationships, we must consider the overall interrelationships between the state, the collective, and individuals, to properly deal with the interest relationships between these three. At the same time, we must encourage education in patriotism, collectivism, and the spirit of service, as well as education on a citizen's obligations and social and public responsibilities. Along these lines, we have had some experience. For example, several years ago we had organized a model pioneer reporting corps (including Li Guociao [2621 0948 2890] and the Guangzhou Sanitation Treatment Plant), and sent it to various localities to report and talk to the people. This demonstration gained great momentum and yielded good results. But it was not continued, especially without support for its routine work.

#### 4. Reinforcing Education That Teaches Hard Work and Thrift

Hard work and thrift are traditional virtues of the Chinese people. They reflect our outstanding party style. They also reflect the spirit needed for building the "four modernizations" in the new era. However, following improvements in material conditions in recent years, ideological education has become weakened and its coverage by the media has become fragmented, so much so that this spirit has been diluted, weakened, and even forgotten. Concepts such as "earn and spend," pursuit of enjoyment, "excessive consumerism," and so on, were favorably accepted by a good number of people. Particularly in some local and enterprise units, extravagant and wasteful practices displaying newly acquired wealth—expensive clothes, lavish dinners and gifts, high-class homes, small luxury cars, etc., became very fashionable. Talk about hard work and thrifty practices would fall on deaf ears and even be laughed at as small-scale peddler talk incapable of big doings. Such phenomena were particularly noticeable in Guangdong Province, and it should command extra attention.

At present, China is still comparatively backward and impoverished, and to build it into a strong, modern nation within a short time requires the practice of its traditional virtues of hard work and thrift by all the people. Even in the forthcoming comparatively well-off society or era of greater prosperity, such traditional virtues are still vital and should not be abandoned. Those who think hard work and thrift pertain only to a small-scale peddler concept are wrong. Not only are hard work and thrifty practices not contradictory to large-scale modern productivity, they are also stimulants. Take the capitalist countries who also factor worker morale into their production calculations. And there are numerous examples right alongside us to be cited. Take the Shenzhen Dental Center, where the spirit of hard work and thrifty practices is still followed; even though its business has grown, equipment and techniques used are the most advanced, and much capital has been accumulated. From this, it has reaped good economic and social benefits.

Therefore, the provincial CPC Committee and the provincial government aim to push and broaden this experience of the Shenzhen Dental Center to cover the whole province. We must fully understand that Guangdong Province must closely follow a policy of hard work and thrift, which has great promise and is do-able, for it has long-range economic and political significance. This is a weighty topic. Not only must we carry out education in this area, we must take action and see that actual measures to carry this out are in place in various localities and departments for this policy to increase economic benefits, prevent corruption, and establish a new style of living and work.

#### Propaganda Chief Outlines Guangdong Literature Tasks

90ON0391B *Guangzhou NANFANG RIBAO* in Chinese  
17 Feb 90 p 2

[Address by Huang Hao (7806 3185) at the closing ceremony of the fourth congress of the Guangdong branch of the China Writers Association, 15 February 1990: "Unity and Enterprise—Making Greater Contributions"]

[Text] Fellow delegates, fellow comrades:

The three-day fourth congress of the Guangdong branch of the China Writers Association closes today.

The Guangdong Provincial CPC Committee and the provincial government have shown great interest in this conference. On behalf of the Guangdong party committee and the provincial government, Comrade Lin Ruo [2651 5387] sent us a congratulatory letter. Comrade Xie Fei [6200 7236] personally attended the congress and made a congratulatory speech, giving his full approval and enthusiastic encouragement to Guangdong's literary accomplishments over the last 50 years, and stating his ardent hopes and expectations for how we can continue to develop and enrich Guangdong's literary cause.

Over the past three days everyone has had a happy reunion under one roof, spoken out freely, and together discussed the vitally important matter of bringing Guangdong's literary cause to fruition. The congress, with widespread consensus among the leadership, has held a democratic election, produced members of a new leading organization, and satisfactorily completed the transition work. It has been a unified, enterprising, forward-looking congress.

That this congress produced a new leading group indicates that there is no lack of successors to Guangdong's literary cause. These leading members have all attained great success in literary creation, literary criticism, or organizational work. They are capable of maintaining the principles of party spirit in literature and of uniting our comrades; they possess a comprehensive view of the situation; and they are intensely dedicated and have a strong sense of responsibility. I have faith that so long as

we can uphold Marxism, maintain the party's basic line, modestly seek guidance from older comrades, maintain close contacts with authors, and rely on collective strengths, we can certainly keep from disappointing people, and can unite and lead all Guangdong authors to usher in a new literary state in the province.

Comrades, as we step into the 1990's we face the crucial task of administrative reorganization and intensified reform. The next decade will be the key decade for promoting socialist China. The literary cause must keep pace, promote historic progress, and achieve even more vigorous growth. We have already created several beneficial conditions, but we also face many pressing problems. In this regard, I would like to express several hopes for the new cooperative leading group and all literary workers provincewide:

First, we must enhance Marxist theoretical study and ideological construction in literary ranks, and make support for "two for's" [for the basic levels, for the masses] the starting point and staying point for literary work. Life is the basis for author creativity. As writers enter into the process of understanding, judging, and depicting life, in addition to possessing profound, consummate literary artistry and skill, it is even more indispensable that scientific theory guides their consciousness. The nature of socialist literary enterprise requires our writers to make Marxism, Leninism, and Mao Zedong Thought the basis of their world view and their literary and artistic view. In this new period, Comrade Deng Xiaoping has upheld and developed Comrade Mao Zedong's literary and artistic ideology and correctly responded to the crucial links between art and literature on the one hand and politics, people, and life on the other hand. He has also correctly understood the art of struggle in the literary field against erroneous inclinations, and has established for our writers a sense of sacred, historic duty and literary mission—for which he serves as a model. Right now we must earnestly study the book *Deng Xiaoping Discusses Art and Literature*, and regard it as a crucial ideological construct to be grasped in the artistic and literary ranks and within the overall ideological sphere. And we must constantly expand the ideological boundaries and creative enthusiasm of our writers.

Second, we must comprehensively and completely understand the party's literary and artistic principles and policies, and carry out the "double hundreds" [let a hundred of flowers blossom and a hundred schools of thought contend] policy as our major ensurance of long-term, stable development, and enrichment in socialist literature. We cannot overemphasize this. We must continue to adhere to the four fundamental principles, oppose bourgeois liberalization, and dispose of "mental garbage," and at the same time we must write more daringly and more ably, to make our literary creations come "alive." We should encourage artistic innovation and learned contention. We must also work hard to expand and propagate China's outstanding literary heritage, perpetuating some of it and transforming

some of it, and we must treat foreign literature correctly, importing some and boycotting some. Thus we can make the ancient useful today and make Western works useful to China. We need to strengthen the main literary melody and promote the coexistence and development of different literary themes, subjects, forms, styles, and creative methods. I hope our authors contribute more and better spiritual food to the broad masses.

Third, we need to enhance internal unity in the literary world and gather our forces closer together. The literary world absolutely must be of one mind and take concerted action with respect to the four fundamental principles and the need to enrich and develop Guangdong's literary cause. Only unity can improve the fighting power and creative strengths of the literary contingent. As unity increases by one part, strength will increase by one part. Authors—young, old, and middle-aged; provincial, municipal, and county-based; professional and amateur; attending cadres and the broad membership—must all unite under the banner of socialist literature. By studying and drawing upon the lessons of experience, and through discussion, criticism, and self-criticism, we must rise together and create a stable, coordinated, harmonious, energetic, more open literary environment. The writers association must be subordinated to the proper leadership of the Guangdong party committee, play its role fully, provide the best service to its broad membership, and become a real "family of authors."

Fourth, we absolutely must take care to gain a solid grasp of literary creation and theoretical criticism. In weighing whether the leadership of a literary or artistic unit is competent and qualified, we must look primarily at whether its creations are flourishing and whether it produces outstanding individuals, works, and theories. The new leadership must organize and guide the writers of Guangdong to strive in this direction. They must conscientiously organize authors to drink deeply of life and expand their fields of vision. Authors must absorb inspiration and the passion of poetry, and create more high-quality, high-grade works suited to the excellent environment of construction, reform, and deregulation that is occurring in Guangdong. Literary in Guangdong commentary still needs to grow more dynamic, and there needs to be more accord among literary critics so as to use healthy, scientific criticism to guide literary ideological trends, recommend outstanding works, and support new writers. In the practice of criticism, we must spare no effort to improve our Marxist fighting power and our level of appreciation for beauty in literary commentary itself.

Finally, I hope that the Guangdong literary world will act with one heart and one mind and pool its wisdom and efforts under the guiding spirit of the Fourth and Fifth Plenary Sessions of the 13th CPC Central Committee, to carry literary creativity in Guangdong to new heights during the 1990's. I hope that the "Guangdong army" can, with a brand-new outlook and in grand battle array, make a new contribution to building a Chinese style of socialist literature.

## Reforms Raise Cadre Productivity in Guangdong County

90ON0391A Guangzhou NANFANG RIBAO in Chinese  
17 Feb 90 p 1

[Article by reporter Chen Shangzhu (7115 0006 3137) and correspondents Mai Zhanbin (7796 1455 1755) and Chen Zhuoxin (7115 0587 2450): "Cut Meetings to a Minimum, Change the Meeting Style: Many Cadres in Gaoyao County Have Gone Down to the Grassroots Level To Handle Practical Matters"]

[Text] *Editor's Note: Recently, under the guidance of the officials in charge, organizational or survey and research groups in many localities and units have hastened to the grassroots level to handle practical matters for the masses. However, some localities have moved slowly and have been unable to organize cadres for this effort even after a long time. Thus, in order to arrange for cadres to go down to the grassroots level, in addition to improving our perception of the situation, we must do as Gaoyao County has done: We must conscientiously improve leadership style, cut back on meetings as much as possible, and give cadres the time and energy to tackle this task. Only if we do so can cadres who go down to the grassroots units then stay for any length of time and accomplish something. Otherwise, cadres will either refuse to go down or will pop back up again within a few days. I hope that, in order to accomplish this important task in a conscientious fashion, every locality will examine the situation earnestly and decide whether too many meetings are being called, whether the meeting style has improved, and whether the necessary conditions have been created so that cadres can go down to the grassroots units.*

Gaoyao County Party Committee and county government have altered their leadership style, cut back on the number of meetings, and organized cadres to go down to the grassroots units. They have penetrated the countryside, the factories, the shops, and the schools to listen attentively to the views of the masses and help grassroots-level units and people solve practical problems, and they have been welcomed by the public.

In the past, because there were so many meetings and so much work, many of the leading cadres in this county exhausted most of their efforts on holding meetings and writing up material to send to the higher authorities. They had little time to spend with the grassroots units, and many pressing issues remained unresolved for long periods of time. To address this situation, the Gaoyao County Party Committee and county government began striving in 1989 to improve leadership style, and they passed a resolution to cut back on meetings, requiring that all nonessential meetings be eliminated, conferences be merged whenever possible, and all essential meetings be shortened as much as possible. Conferences convened by all systems must be approved by officials in the county party committee and the county government. The All-County Tri-Level Cadre Conference held on 9 January 1990 broke with the usual practice of many

years, which had required all grassroots cadres to convene together. Instead, a telephone conference was held, and the members of the five groups of leading cadres and the bureau officials of various ministries and commissions each went to their town's contact point to participate. This method saved time and was convenient for the grassroots cadres, and it also saved Guangdong nearly 200,000 yuan in conference costs. According to statistics, in 1989 there were 13 fewer county-level conferences than in 1988, saving conference costs of more than 360,000 yuan.

Reducing the number of meetings and improving conference style allowed leading cadres to spend significantly more time and concentrate more energy helping grassroots units and people eliminate their worries and resolve their problems. In the last half of 1989 the Gaoyao County party committee's and government's focus on helping grassroots units resolved eight fairly broad issues, including rural grassroots-level cadre management and development of the collective economy, road construction, construction of industrial and commercial teams, and so forth. In the past two months 110 people have been guiding affairs in the county party committee and county government, and 207 individuals in the offices and bureaus of the ministries and commissions have filtered into the front lines of industry, agriculture, and commerce, resolving numerous problems for basic-level units. Wen Paotian [2429 3517 3944], Gaoyao party committee secretary, visited the Gaoyao County food products factory and found that the plant lacked funding and was having difficulty working out a production plan for the new year. He immediately called the leaders of monetary and financial departments to the scene to handle matters, and within a few days 1.35 million yuan in production funds had been designated for this plant. In agriculture, when officials realized that grassroots-level cadres were poorly paid and that there were many "empty-shell villages," they immediately began to study the situation. The county decided to withdraw 500,000 yuan from the treasury and grant a wage subsidy of 20 yuan per month for cadres in that administrative district. The 92 "empty-shell villages" in the county, in which there is no collective economy, received assistance in manpower, finances, and materials, and county and town departments one after another assisted in establishing connections and helped them set up and develop a collective economy.

## Guangdong Urges Cadres To Study Marxist Philosophy

90ON0391B Guangzhou NANFANG RIBAO in Chinese  
17 Feb 90 p 1

[Article by NANFANG RIBAO correspondent: "Study Hard and Make Good Use of Philosophy; Improve Theoretical Accomplishments"]

[Text] Recently, as it ratified and relayed the Propaganda Department's "Suggestions for Organizing Guangdong's Many Party Members and Cadres To

Study Marxist Philosophy" (hereafter referred to as "Suggestions"), the Guangdong Communist Party Committee asked party committees at all levels to attach the highest importance to this matter and launch Marxist philosophy study groups among the broad masses of party members and cadres.

In its comments, the provincial party committee said that "right now, enhancing Marxist theoretical education among the many party members and cadres at all levels, particularly launching studies of Marxist philosophy and improving the level of theoretical accomplishment in cadre ranks, is an important way to guarantee that the party's basic line is put into practice and that reform, deregulation, and socialist modernization are implemented and make progress. Party committees at all levels must attach the highest importance to this matter and make it a strategic task to strengthen the party ideologically and theoretically. They must make it the crucial order of the day and do a conscientious job of organizing and planning. They must also resolve difficulties and problems that crop up along the way, constantly intensify studies, and seek to achieve results. Leading cadres at each level must take the lead in these studies, as well as in their application, and they must persevere and achieve success."

The Guangdong Communist Party Committee Propaganda Department's "Suggestions" pointed out that this year and next year theoretical cadre training must be based on Marxist philosophy. The focus must be on good training for leading cadres above the county (or division) level (including those in factories, mines, and companies above the county level). The "Suggestions" listed 10 items to be included in these studies and pointed out that the focus must be on intently studying the practical viewpoint, the dialectical viewpoint, and the mass viewpoint. The "Suggestions" asked party committees at all levels to strengthen leadership, make earnest efforts to organize and carry out this program, and ensure success.

## NORTHEAST REGION

### Strategy for Eliminating '6 Vices' in Liaoning 90ON0389A Shenyang LILUN SHIJIAN [THEORY AND PRACTICE] in Chinese No 2, 15 Jan 90 pp 4-5

[Article by Wang Julu (3769 1565 4389): "It Will Be Difficult To Have a Stable Society Unless the 'Six Vices' are Eliminated"]

[Text] The work launched by the Central Committee and State Council to sweep away pornography and eliminate the "six vices" has taken root in the heart of the people and has been quite effective. Ordinary people say "this time the Communist Party is doing a good thing for the people." However, some problems of inadequate understanding still exist in the thinking of some of our cadres, problems that are manifested primarily in the fact that, first, there are some who have an inadequate understanding of the serious harmful nature of the six vices.

They think that the cruelty of the six vices exists at the lowest levels of society, that the area that has been affected is still not wide, and that it does not constitute a threat to social stability. Second, there are those who believe that the elimination of the six vices is a matter for the public security and government legal departments, and having these special departments take charge is fine with them. Third, there are those who believe that, because the difficulties in the present economic work are very great and there is much work to be done in other areas, there is no energy for also grappling with this matter, doing a little will be sufficient. But it is precisely because a small number of local party and government leaders do not have a sufficient understanding of the major significance and the urgency of this type of work that the work is not really given much attention. Certain districts act slowly, and wide publicizing of the problem has not developed strong momentum. Also, there are some who still limit themselves to the specialized work of functional departments, and who are far from being able to fully arouse the broad masses. A variety of ugly phenomena in society have still not been contained, and there are some areas where criminal activity is still running quite rampant. It is thus evident that the question of recognition of the problem has not been settled, and the work associated with sweeping away pornography and eliminating the six vices has certainly become a mere formality. One could say it had a fine start but has had a poor finish. For this reason, it is necessary to stress increasingly the major significance of eliminating the six vices, and make this work a major agenda item for all levels of party and government work.

If the six vices are not controlled, social order will be disturbed and social values will be corrupted. In the last several years, the growth and spreading of the six vices, prostitution for example, to the entire province as well as to practically the entire country, has been like that of a plague. Prostitution cases have doubled and redoubled and prostitution has given rise to the spread of sexually transmitted diseases. According to incomplete statistics of the Public Health Department, in the province as a whole, more than 10,000 persons have been found to be suffering from a sexually transmitted disease. Venereal disease not only damages the health of adults, but also leaves a legacy of trouble for later generations, and brings disaster to one's descendants, as newborn babies may also be inflicted with disease. There are some who, collaborating with a small number of illegally managed individual hotels and roadside inns to spread prostitution, lure, abduct and buy women, swindle people out of money and gather groups to gamble, seriously harming social order. Cases involving the peddling, production, and dissemination of obscene materials have also been quite prominent and, according to Public Security Department statistics, the number of pornographic videotapes seized this year has already reached 1,000. These pornographic videotapes are for the most part secretly mailed or transported from the south, and many are also copied. The dissemination of pornographic materials is poisoning large numbers of young people, and some have

already taken up the path of criminal activity. This disgusting phenomenon is already seriously corrupting social values, and has had a corrosive and devastating effect on people, especially on the minds and spirit of young people. It has induced people to engage in criminal activity and forced people to take to evil ways, it has seriously disturbed public order and done great damage to the normal order of society, and has become an extremely significant threat to the life and health of the people.

If the six vices are not controlled, they will contaminate the body of our party and country, damaging popular trust in the party and government. Some party members and cadres cannot withstand the invasion and temptation of these disgusting phenomena. There are some who engage in prostitution and who disseminate and watch pornographic videotapes. There are those who participate in gambling and those who not only do not put a stop to activities involving feudal superstitions, but also do not combat them, going so far as to participate in and support them. There are some functional departments that adopt an indulgent attitude toward the rampant activity of the six vices, with the result that pornographic books and periodicals are openly displayed on trains and in hotels, and some criminal elements can come and go as they please at major guesthouses and restaurants. Thus, it can be seen that the six vices are already not simply a problem of public order, and if these disgusting phenomena are not expunged in a timely manner and the criminal elements go unpunished, then the image of the party and government could be damaged, affecting the relationship between the party and the government, and the masses. The stable political environment and the healthy social environment can suffer damage, and it will be difficult to smoothly carry out the policies of improvement and rectification and the deepening of reform.

We must also note that the six vices are ugly social phenomena that are a legacy of the old society, and though they could not have been fully eliminated in a short period of time, in the last several years they have again spread unchecked. Clearly, this is directly related to the weakening of our ideological and political work, and our failure to fully adhere to the four cardinal principles and oppose bourgeois liberalization. For this reason, it is not the least bit exaggerated to say that the essence of the struggle to eliminate the six vices is an intense blow-by-blow struggle in the spheres of thinking, culture, and ideology, between Marxism and socialism on the one hand, and capitalism and feudalism on the other. It is also an indispensable component of the struggle to prevent "peaceful evolution" (from socialism back to capitalism), adhere to the four cardinal principles, and oppose bourgeois liberalization. This struggle is formidable, complex, and long term. It bears on the character of socialist modernization, and on the major questions of the future destiny of the party and country. For this reason, we cannot simply view work aimed at eliminating the six vices as the specialized work of this or

that department, and we cannot regard it as a temporary task. We cannot consider the arrest of some criminal elements associated with the six vices as having solved the problem and then drop everything, nor can we view the situation as if we are making a mountain out of a molehill. Work to eliminate the six vices, which is done while acting in the spirit of the Fourth and Fifth Plenary Sessions of the 13th CPC Central Committee to thoroughly strengthen the critical measures and practical steps taken in the construction of socialist spiritual civilization, uses Marxism and a socialist ideology, civilization, and legal system, as well as the traditional moral virtue of the Chinese nation and the spirit of the times for bringing about the four modernizations and vigorously developing China, to carry out extensive and deepgoing educational activity among the masses. It will have a profound effect on our efforts to shake off our ignorance and backwardness and uphold civilization and progress.

It is precisely because eliminating damage to society by sweeping away pornography is a major issue, which bears on the life, property, and safety of the people, on the country's stability and growth, and on social development which would bring benefit to the great undertaking of humankind, that leading cadres at all levels must consciously put this type of work on the agenda of party committee and government work, and develop this work in the elimination of the six vices in a healthy, penetrating, and down-to-earth manner.

First, they must intensify public propaganda, penetratingly and extensively spreading propaganda to arouse the masses. Whether the six vices can be eliminated in a thorough manner depends critically on whether or not broad masses of people can truly be aroused. If broad masses of people are concerned with and support this work, a strong public opinion and a deterrent force for corralling and annihilating the six vices will form within the society, and there will be no place for the six vices to take shelter. This will also create a situation where "when a rat (the six vices) runs across the street, everybody says 'kill it.'" At the same time, we must take this opportunity to actively carry out education in the legal system, in moral character, in spiritual civilization, and in the cultivation of a new socialist style, letting the masses know what a socialist country led by a Communist Party advocates, what it opposes, what it permits, what it forbids, what it outlaws, and what it attacks, while consciously constructing an ideological line of defense to resist the corrosive influence of the six vices, and fundamentally reduce and progressively uproot the conditions for the existence and spreading of the six vices.

We should also note that work associated with the elimination of pornography enjoys immense popular support, and the masses very much welcome this type of work. This is our foundation for the smooth development of the struggle to eliminate the six vices, and is also the fundamental guarantee for achieving success in the future. In a certain sense, factors such as whether the

masses are fully aroused or not, and to what degree social aspects play a part; since they are signs for weighing how this work is unfolding, are also important criteria for judging the effectiveness of this work.

Second, we must handle cases strictly according to the law and pay attention to and have a good grasp of policies. Eliminating the six vices is work in which the policy and legal components are both very strong. The struggle to expunge the disgusting phenomena associated with the six vices and mete out punishment to six vices criminal elements involves quite a large number of people in education and handling punishment. Certainly, if we wish to be firm in implementing policies, we must also have prudent policies. In carrying out the party's policies and implementing the country's laws, we cannot allow the least bit of emotional coloring. This struggle, since it touches on numerous criminal laws and articles, also touches on a number of the government's administrative statutes as well as the policy stipulations of many departments both within the party and in the government. Under the circumstances of arousing the masses and every sector of society for extensive and active participation in the struggle against the six vices, it is necessary at the start to stress the implementation of policies and the handling of affairs according to the law. These are important for ensuring the healthy and effective conduct of work in eliminating the six vices. The party Central Committee and the State Council have repeatedly stressed that this activity must be carried out strictly according to relevant party and government policies and statutes. To this end, we must uphold strict principles in accordance with the law, for the key points raised in the plan of action involving striking at targets. We must mete out punishment strictly, and we cannot be irresolute when firmness is needed. It is also necessary to make a clear distinction between that which is criminal and that which is not criminal, and uphold the principle of dealing with each case on its own merits. For example, we should distinguish between prostitution on the one hand, and inappropriate male-female relationships and indecent and aimless activity on the other; between the peddling, dissemination, and production of pornographic materials and less serious circumstances, such as occasional viewing and personal possession of pornographic material due to a lack of understanding of relevant stipulations; between hardened gamblers and gambling activities involving very small quantities of money and done for purposes of entertainment; between the use of feudal superstitious beliefs to defraud people of their money and harm them, and old-fashioned folk activity possessing a feudal superstitious coloring; between kidnapping and selling women, and mercenary marriage; between the smuggling, manufacturing, planting, and peddling of narcotics for profit, and the medical use and normal intake or injection of narcotics, etc. In addition, in handling each case we must distinguish between those who refuse to mend their ways and casual offenders, and uphold policy principles in which strictness and leniency are mutually beneficial. We

should as far as possible reduce the punitive aspect and expand the educational side.

Third, all related departments must act in close coordination, and fight in coordination. Elimination of the six vices is work involving the whole of society, and has already gone beyond the scope of one or several departments. We cannot regard it as the temporary task of a particular department, and relying on one household to do the work will not do, nor will relying on several households. Society as a whole must actively become engaged in work on every aspect of the problem. All departments and affiliated organizations must research and consider the problems which emerge from the effort to complete the comprehensive program of public order (public security organs working with all public and private organs on crime prevention, punishment, rehabilitation, and so on), make clear their own responsibilities, draw up a basic departmental work program and work plan, and put them into effect at all levels. Work in sweeping away the six vices directly involves the departments of public security, inspection, law, propaganda, culture, news publishing, television broadcasting, health, civil administration, industry and commerce, tax, finance, education, customs, frontier defense, trade union, Communist Youth League, and Women's Federation, among others. These departments must look upon this work as their own duty, and go into action as rapidly as possible, pooling efforts, and carrying out the comprehensive program of public order. The Office of Spiritual Civilization and the Department for the Comprehensive Program of Public Order must treat this work as the major task facing us at present.

In brief, in the process of doing work in eliminating the six vices, every department must start from the overall situation, participate actively, and refrain from shifting responsibility or engaging in disputes over minor matters. The party committee and government must exercise a unified leadership, and from start to finish work hard in an effort to combine eliminating the disgusting phenomena of the six vices on the one hand with establishing a new socialist style on the other, making socialist culture flourish, and building a civilized, healthy, and scientific way of life. Vigilant punishment of six vices criminal elements must be combined with education. The government must take further steps for proper handling of basic grassroots work and promote the building of grassroots party organizations and political authority. Carrying out in their work the guiding principle of combining the work of special departments with a mass line, they must firmly attack the tiny minority of lawbreakers in accordance with the law, educate and rehabilitate those who have lost their footing, and make large numbers of people truly accept the party's basic line on education and socialist ideals, morality, culture, and legal education. As long as all levels of leadership pay attention and take advantage of favorable circumstances, a favorable situation will certainly emerge for work in the elimination of the six vices, a situation in which the whole party gets to work, all the people are

mobilized, and the whole society is supportive. We can then strive for a complete victory in the elimination of the six vices, and make a due contribution to a stable social order, the construction of a spiritual civilization (culture), and the transformation of the unhealthy social atmosphere!

### Liaoning Acts To Instill Lei Feng Spirit

#### Youth Activity Held

90ON04564 Shenyang LIAONING RIBAO in Chinese  
17 Feb 90 p 1

[Text] A mobilization meeting was held at the China Theatre in Shenyang on the afternoon of 16 February to kick off the campaign to make the young people of Liaoning Province "emulate the Lei Feng Spirit and be new people with the four haves."

The meeting was attended by provincial leaders including Dai Suli [2071 5685 3810], Wang Guangzhong [3769 0342 0022], Sun Qi [1327 1142], Chen Suzhi [7115 4790 5347], Shen Xianhui [3088 7359 1920], and Wang Chonglu [3769 0339 7047]; veteran comrades like Li Huang [2621 5435] and Liu Wen [2692 2429]; as well as comrades in charge from the provincial military district, provincial trade union federation, women's federation, educational commission, and public security department.

The meeting was presided over by Zhao Guohong [6392 0948 4767], a deputy secretary of the Liaoning CPC Committee. Jin Dong [6855 2639], deputy secretary of the CYL [Communist Youth League] provincial committee, presented the mobilization report entitled "Emulate the Lei Feng Spirit, Be a New Type of People With the Four Haves, and Make New Contributions and Dedicate One's Youth to the Practice of Socialist Modernization, Reform, and the Open Policy." In his report, he said that during the past 27 years, the spirit of Lei Feng had inspired CYL members and young people in the province to strive to contribute to socialist economic construction. During that period, 2,541 league members won the glorious title of new Long March shock worker and 5.39 million people took part in the "five small" scientific and technical activities, with 570,000 achievements. The Lei Feng spirit has taken hold among the province's young people.

The curtain has now gone up on the campaign to emulate the Lei Feng spirit in the province in the 1990's. Jin Dong asked the young people and league organization to implement in earnest a three-year plan drawn up by the league provincial committee—"Emulate Lei Feng Spirit and Be a New Type of People With the Four Haves"—so that the campaign will reach the grassroots and pay off in new ways.

Yao Zhiping [1202 1807 1627], deputy secretary of the CYL, read the decision of the league, conferred on Zhang Dongmei [1728 2639 1734] the title of model CYL member who defies brute force and sacrifices himself for

others and conferred on Xu Yanmei [1776 5333 2734] the title of outstanding CYL member who defies brute force and courageously struggles with hooligans, named five units "young emulate-Lei-Feng model units" of the province. The units were the first road construction shift in Work Area 1 of the Fushun Municipal Administration Company, the emulate-Lei-Feng shock brigade in the municipal engineering maintenance and management office of Shenyang, the emulate-Lei-Feng service brigade at the grain depot of Huolian stockade village in Benxishi, the emulate-Lei-feng voluntary squad in Xiashibei Village in Hengdaohe, Tieling County, and Team 1 of young train attendants on Section 321/323 of the Benxi railroad. He also named 16 comrades as young learn-from-Lei-Feng models. They were Hu Yong [5170 0516], Xiao Yuanxiang [5135 0337 4382], Yu Bin [0060 1755], Wang Zhili [3769 1807 0448], Zhang Yankun [1728 1750 0981], Kong Qingshan [1313 1987 1472], Chen Jinlin [7115 6930 2651], Qu Zhongli [2575 1813 7787], Wang Gang [3769 0474], Wang Huaiyu [3769 2037 2589], Cheng Deyong [4141 1795 0516], Wang Tianli [3769 1131 0448], Wang Guanyou [3769 7070 0645], Xing Baojun [6717 1405 0689], Li De [2621 1795], and Yu Liyi [0060 4409 0001]. Model individuals and units were presented with certificates and prizes by provincial leaders.

Sun Qi, a deputy secretary of the Liaoning CPC Committee, addressed the mobilization meeting on behalf of the Liaoning CPC Committee. He said, "This mobilization meeting will certainly help whip up a new wave of enthusiasm among the masses for learning from Lei Feng." He pointed out that the fundamental purpose of conducting a campaign of learning from Lei Feng deep among the young people is to nurture a generation of reliable successors to the cause of the proletarian revolution. Party and CYL organizations at all levels throughout the province and other pertinent departments should fully appreciate the significance of the learn-from-Lei-Feng campaign from the strategic high plane and, acting with confidence and resolve, further advance the campaign. The campaign must be closely integrated with the actual needs of the current socialist modernization, reform, and the open policy. It must be organically combined with the construction of the spiritual civilization so that the Lei Feng spirit becomes a powerful spiritual force inspiring and moving the masses to throw themselves into the exciting reality of economic rectification, reform intensification, and other undertakings. The meeting heard and adopted the "Proposal" by the province's young learn-from-Lei-Feng models. Addressed to all young people in Liaoning, the proposal called on them to make Lei Feng their model and be Lei Feng-style successors to the cause of the proletarian revolution.

At the meeting, Xu Yanmei, representative of the young models and a student at Wujia Middle School in Panshan County, reported on the deeds of Zhang Dongmei, the CYL model who defied brute force and sacrificed herself for others. Xiao Yuanxiang, a people's policeman

from Dalian, reported that learning from Lei Feng he firmly stood fast at his post for eight years and was a good people's policeman. Wang Gang, a self-employed youth from Liaoyang, reported that, although handicapped, he had a will of steel and had contributed a lot to the people. A representative of the first road construction shift in Work Area 1 of the Fushun Municipal Administration Company, reported on its deeds in 27 years of learning from Lei Feng unwaveringly. Their reports were greeted with rounds of warm applause.

The provincial model units and individuals proposed at the meeting that a Liaoning young people learn-from-Lei-Feng fund be set up and took the lead in donating to it.

### Relevance for Today Argued

90ON0456B Shenyang LIAONING RIBAO in Chinese  
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[Article by Zou Dean (6760 1795 1344) Theory Department, LIAONING RIBAO: "Lei Feng Spirit Remains Youthful Forever"]

[Text] Ever since Comrade Mao Zedong called on us to "learn from Comrade Lei Feng" in the early 1960's, the illustrious name of Lei Feng has consistently been a part of the history of the cause of socialism in China, inspiring the young, the middle-aged, and the old yesterday and today. Mass campaigns of learning from Lei Feng have gone through many ups and downs, but their achievements are obvious. The emergence of a host of advanced figures of the Lei Feng style have continuously infused the Lei Feng spirit with new vigor and content. All this testifies to the immense vitality of the spirit of Lei Feng.

That the thought, words, and deeds of an ordinary soldier in the PLA [People's Liberation Army] could have produced such an extensive, profound, and lasting impact on a nation with an ancient history going back 5,000 years and a current population of 1.1 billion can only be described as a major miracle in the world.

How then are we to explain this miracle and interpret the immense vitality of the spirit of Lei Feng?

First, the spirit of Lei Feng is an embodiment of the marriage between communist thought and socialist practice. The essence of his spirit is the spirit of communism. It is a product of the nation's socialist practice. After New China was founded, the CPC led the people in moving systematically from new democracy to socialism. Even as it revived and developed the national economy, it launched a socialist transformation of the private ownership of means of production, destroyed the exploitation system and the exploiting class, and established a socialist system. This is the greatest and most profound social change in Chinese history. The party's correct policies, fine style, and high prestige impressed the people so much that the cadres, the masses, young people, and intellectuals all studied Marxism-Leninism

and Mao Zedong Thought conscientiously and actively took part in all kinds of revolutionary and construction work. A revolutionary, healthy, and vibrant moral climate pervaded the nation. Lei Feng was an advanced youth who emerged against this social backdrop. He grew up in poverty and struggled for nine years in the bitterness of the old society. The sharp contrasts between old and new China, which he personally experienced, made him abhor the semicolonial, semifeudal old society, and the three big mountains, and love the socialist new society and the CPC. Bursting with the joy of emancipation and the passion of revolution, he threw himself into the feverish struggle to establish a new way of life and create a new socialist style.

The road of socialist development has been a bumpy one. Primarily because of the mistakes of the Great Leap Forward and the antirightist struggle, compounded by natural disasters at the time and the Soviet Government's decision to perfidiously tear up agreements, the Chinese economy was in serious trouble between 1959 and 1961. Overseas, hostile forces gloated over our difficulties and instigated an "anti-Chinese, anticommunist chorus." This put our party and our socialist cause under tremendous strains. Led by our party, however, the people launched a fierce struggle. It was at this critical historic juncture that Lei Feng stepped forward boldly, placing himself at the forefront of the struggle. He studied Mao Zedong Thought with great eagerness and inspired himself with the ideal personality of revolutionary martyrs. By transforming his world outlook in earnest, he took a giant ideological leap. In the past he had simple class feelings; now he was committed to serving the people wholeheartedly, ready to give up everything for the sake of the liberation of mankind and communism. In the past he "only knew that socialism was good; now he wanted to work to make it even better." In the past he simply wanted to "repay the party"; now he was "unwaveringly obedient to the party and dedicated to following it all his life." This way, Lei Feng firmly established his communist world outlook and his outlook on life, which he used to guide his thought, words, and deeds, and finally became an outstanding representative of the new generation nurtured by the party and people as China entered the historic stage of socialism.

Second, the spirit of Lei Feng embodies the integration of the realism and advanced nature of communism. The spirit of Lei Feng originates in and serves socialist practice. Comrade Zhou Enlai's dedication sums up the Lei Feng spirit as these four aspects: a class position that is clear about what to love and what to hate, a revolutionary spirit of being as good as one's word, a communist style of selflessness, and a proletarian fighting will that defies personal danger. Lei Feng's noble ideas and fine qualities meet the objective requirements of constructing socialism all round in the historic era, reflects the Chinese people's strong will and confidence in conquering temporary economic difficulties, resisting foreign pressure, and adhering to the socialist road under

the leadership of the CPC, and demonstrates the Chinese people's magnificent spirit of struggling as one and consistently striving to improve themselves. What a powerful force it was at the time. Indeed, once promoted strongly by the party and once grasped by the masses, particularly the young people, the spirit of Lei Feng became a gigantic material force that drove the cause of socialism and consolidated the people's democratic dictatorship. This shows that Lei Feng's communist thought is totally realistic, not some "abstract" stuff that "transcends reality."

The historic role of the spirit of Lei Feng is not confined to advancing the party's central goal at the time and serving the politics and economy in the early days of comprehensive socialist construction. As a communist idea, the spirit of Lei Feng is oriented toward the future as well as based on reality. Socialism will prevail over a rather protracted period of time, but it is not an independent social formation but the initial stage of communism. Lei Feng's communist ideals, thought, and morals precisely reflect the trend of a socialist society continuously developing and advancing toward communism, the general political and economic demands of the initial stage of socialism in China, and the necessity for and possibility of most members of society scaling ever higher ideological and moral heights. Thus, the spirit of Lei Feng also reflects the spirit of the socialist era in China. We can therefore see that it possesses not only a here-and-now personality, but also an advanced character. It combines realism with an advanced nature.

Moreover, the spirit of Lei Feng embodies the unification of the ordinariness and greatness of communism. Lei Feng was no utopian communist, not somebody given to indulging in empty talk about communism. Nor was he a mediocre, unambitious practitioner of communism. He was adept at meshing the great ideals of communism with his daily work, study, learning, and interactions with people and things. He was a master at "achieving extraordinary success in ordinary trivial work." Dong Biwu [5516 1801 2976], a revolutionary of the older generation, wrote in a poem entitled *In Praise of Comrade Lei Feng*, "He turned the ordinary things he did into gems. An ordinary soldier, but utterly devoted to the people." This is a vivid portrait of Lei Feng's ordinary yet remarkable communist spirit.

"Greatness springs from the ordinary. The ordinary gives birth to greatness." These words reflect not only Lei Feng's distinctive personality and the outstanding virtues of his spirit—approachability and attainability, but also the special significance and value of human labor and work under socialism. Under socialism, serving the people means primarily taking part in and defending the cause of socialism, which is the shared ideal of all members of society and the great practice of the masses. It was exactly this particular set of social historical conditions that created Lei Feng, hero of the new age, and enabled the spirit of Lei Feng to achieve a broad mass base. Comrade Xu Teli [1776 3676 4539], another revolutionary of the older generation, put it well,

"Comrade Lei Feng was ordinary. Anybody can learn from him. But Comrade Lei Feng was also great. People must work hard to learn from him." (Xu Teli, *Excerpts From Lei Feng's Diary*)

The integration of communist thought with socialist practice, the integration of the realism and advanced nature of communism, the integration of the ordinary with the great. Herein lies the enormous vitality of the spirit of Lei Feng. Marx said, "The extent to which a theory is realized in a nation depends on the extent to which it satisfies the needs of that nation." (*Selected Works of Marx and Engels*, Volume 1, p. 10) We can say the same about the spirit of Lei Feng. Precisely because it fully satisfies the needs of the ongoing development of the cause of socialism led by our party and reflects the fundamental interests and wishes of the proletariat and the masses, its dissemination has always been strongly advocated and supported by the party and government, and enthusiastically welcomed and embraced by society at large. Thus we can say justifiably that the spirit of Lei Feng will not become outdated in the initial stage of socialism in China, but will remain wonderfully youthful throughout the historical period of socialism.

Given reform and the open policy, is the spirit of Lei Feng still relevant and worth promoting in the new historical period of socialist modernization? In recent years, because of the proliferation of the ideas of bourgeois liberalization, because of the serious mistakes committed by a handful of party leaders, and because of the fact that we are at a turning point in history, we have tended to be one-sided in our thinking and many comrades are confused. Real life, however, particularly the bitter lesson we learned from the political turmoil between spring and summer last year, has given us a firm answer.

First, our four modernizations are socialist modernization, not modernization in the capitalist mold, much less modernization in the colonial or semicolonial mold. Our reform and opening up is the self-development and self-perfection of the socialist system, not a transformation of the basic socialist political and economic system. Today, class struggle is no longer the predominant contradiction in our society, but it still exists up to a point and may even intensify under certain conditions. Internationally, although tension has eased and confrontation is giving way to dialogue, foreign hostile forces are still hell-bent on destroying us. They are intensifying the "peaceful evolution" strategy and are trying to bribe a bunch of so-called "political dissidents" in China engaged in bourgeois liberalization in a vain attempt to commit subversion and infiltration against China by exploiting our reform and open policy and the temporary difficulties that have appeared in our advance. The political turmoil between last spring and summer provides clear evidence. The struggle between the four cardinal principles and bourgeois liberalization will be protracted, complicated, and at times even ferocious. This requires us to remain politically sober and adhere to proletarian principles and stand, as Lei Feng did. "Be

completely devoted to the party, to socialism, and to communism," Lei Feng said firmly, "I must be obedient to the party and follow the party all my life. Implement the party's principles and policies in earnest. I will do and say more things that benefit the party. I absolutely will not do or say things unfavorable to the party." Given the extremely complex domestic and international situation at present, Lei Feng's words no doubt should serve as a warning to us and spur us on.

Second, the underlying objective of the four modernizations, reform, and the open policy is to speed up the development of productive forces, gradually bring an end to the poverty and backwardness in China, and improve the material and cultural living standards of the entire population. We must bear this objective in mind as we involve ourselves in the four modernizations and the magnificent enterprise of reform and opening up. Like Lei Feng, we must be selfless and serve the people wholeheartedly. Zhang Haidi [1728 3189 6611] said "the meaning of life is to give, not take." The warriors on the southern border said loud and clear, "Let me suffer so that 1 billion people can benefit." Discussing their aspirations, some sanitation workers said, "Better one person gets dirty so 10,000 people can be clean." These are all poignant illustrations of Lei Feng's selfless spirit. The practice of socialism cannot be separated from the party's correct leadership. It is wrong to stir up the "wind of communism" while at the same time violating the party's current economic policies. Moreover, we cannot use vulgar standards of productive forces to replace moral standards and repudiate communist thought. As far as our values and morals are concerned, we must regard selflessness as noble and honorable and bourgeois ultra-individualism and selfishness as shameful and despicable. Members and cadres of the CPC, in particular, must devote themselves wholeheartedly to public duty, be just, honest, and incorruptible, and firmly resist the corrosion of bourgeois corrupt ideas. Those who are corrupt, abuse public office for private gain, and "put money above everything else" will certainly hurt themselves, the party, and the people. The question of party style is indeed a critical one essential to the party's survival. If mismanaged, it will provide a handle for people who want to attack the party for ulterior motives. Witness the political turmoil last spring and summer. Lei Feng said, "Individualism is like the lone boat on a vast ocean. It will capsize in a storm." He proposed, "We must treat individualism the way autumn wind sweeps away the fallen leaves." What Words of wisdom!

Third, the four modernizations, reform, and the open policy constitute a magnificent and herculean undertaking with no precedent. As such it is our responsibility to strive arduously and overcome difficulties. Striving arduously embraces two aspects. On the one hand, it refers to the quality of living simply and austere. In Lei Feng's words, it means shooting for high work standards and low living standards. Lei Feng was as fervent for work as summer is hot. He was the first to bear hardships and the last to enjoy comforts. With a heroic spirit

defying all manner of difficulty, he shouldered onerous responsibilities courageously and did not shirk danger or hardship. He was industrious and frugal and practiced strict budgeting. He shared the nation's cares and burdens and was the first to live a hard life. At a time when the national economy has again run into short-term difficulties, how much do we need CPC members and advanced elements to further the spirit of Lei Feng and lead the masses in order to survive the present crisis? Self-reliance and hard work are more than a short-term solution to temporary economic difficulties. It is a fundamental long-term principle with profound political as well as economic significance. Without a firm correct political direction, we cannot kindle the revolutionary spirit of struggling arduously. Without the revolutionary spirit of struggling arduously, we cannot ensure that the correct political direction will be followed uncompromisingly. In the past few years, consumption shot up and nothing was done to educate people in the fine style and tradition of struggling arduously, which was an important reason why there was all manner of shallowness, confusion, corruption, and degeneration. This lesson all party members and the entire population will never forget.

Fourth, the four modernizations, reform, and opening up are a mammoth and complex piece of systems engineering, a totally new pioneering enterprise. Many of its facets are still an unknown realm of necessity to us. There are endless new conditions, issues, and knowledge awaiting our investigation, exploration, and mastery, making it necessary for us to study harder, particularly basic Marxist theory, enhance the integral, scientific, and forward-looking nature of our work, and raise our political and ideological consciousness and level of theory. Some comrades immerse themselves in routine business and ignore theoretical study. They keep saying how busy they are, how heavy their responsibilities are, how little time they have, and how weak the base is. Should they, like Lei Feng, regard revolutionary theory as "food," "weapon," and "compass," possess the "spirit of the nail," and be good at "pushing and drilling," the difficulties are not insurmountable. As long as we work hard to master the Marxist position, viewpoint, and method, steadfastly abide by the principle of combining theory with practice, and transform our world outlook in earnest and with perseverance, our studies will bear fruit. Since the key to the four modernizations is the modernization of science and technology, it is important that we also study science, technology, and culture. Lei Feng said "right thinking is not enough. We also need advanced technology if we are to better serve the people." He insisted that one be Red as well as expert. Whatever your trade, you should like it; whatever you do, you should be good at it and get better and better. His eagerness to study assiduously and intensely is equally worth emulating. This aspect was not publicized enough in the past. We should improve on that.

Fifth, the four modernizations, reform, and opening up are the joint enterprise of hundreds of millions of people.

Not only does it require each and every comrade to produce results in his own job, but it also requires us to build a new relationship of unity, friendship, equality, and mutual help with one another, thereby creating a good moral social climate. In handling interpersonal relationships, the capitalist principle is me first. "Everybody for himself, and God for us all." The personal development of the capitalist necessitates the exploitation of workers. The capitalist invariably builds his future happiness, particularly money-grubbing, upon the suffering of others. In contrast, the socialist principle is others first. "Me for others and others for me." Lei Feng is a typical example of those who insist on "others first." He wrote, "I must fulfill the communist spirit of giving joyfully and taking less in everything I do." He was as mild as spring toward his comrades and the people. He sacrificed himself for others, helping others was a pleasure to him and he did countless good deeds. The result was that during the Cultural Revolution, when social order had dissolved into chaos and interpersonal relationships were highly irregular, even children bemoaned the fact that "Uncle Lei Feng is no longer around." In front of Lei Feng's communist spirit of "never benefiting oneself, always benefiting others," unfeeling people who have no concern for the masses should feel ashamed of themselves; people who sneak away at a critical juncture and would not help a dying man should be utterly humiliated; people who pay no attention to principles, do no practical work, and practice factionalism and graft should immediately realize their errors and show repentance; and people who injure others to benefit themselves and make a specialty out of swindling should turn over a new leaf at once.

In short, our times are calling for the spirit of Lei Feng. We should meet the needs of building socialism with Chinese characteristics and continue to advocate the Lei Feng spirit strongly and intensify the construction of the spiritual civilization across the board guided by communism. Only thus can we create the climate of opinion, value system, cultural conditions, and social environment beneficial to socialist modernization, reform, and the open policy; effectively resist bourgeois liberalization and the corrupt ideas of capitalism and feudalism; stave off the danger of losing our way; mobilize the people's enormous enthusiasm and creative energy; and build China into a modern socialist power over a period of several generations. The notion that the spirit of Lei Feng is outdated is totally unfounded, totally wrong, and extremely dangerous.

In the final analysis, whether or not the spirit of Lei Feng should be promoted is a question of whether we need to nurture a new generation of socialists who have ideals, morals, culture, and discipline. It is over this issue of vital importance to the future and destiny of the party and state that a longstanding bitter struggle has gone on between us and representatives of bourgeois liberalization. Fang Lizhi has repeatedly belittled the spirit of Lei Feng outright, declaring that learn-from-Lei-Feng campaigns are a "painful reality." On the one hand, he

vilified Lei Feng's "spirit of the screw" as "outdated" and the "most typical expression of the theory of the tool." On the other hand, he called on young people today to develop an "independent consciousness" free from "any guidance and interference." Herein lies the root of the theory that the spirit of Lei Feng is outdated. What Fang Lizhi was attacking was the notion of the individual subordinating himself to the party organization, the collectivist principle of the individual subordinating himself to the needs of the cause of revolution, and the enterprising spirit of achieving remarkable success in a humdrum job. What he was repudiating was the revolutionary's high degree of consciousness of transforming the world outlook. What he was advocating was bourgeois liberalization, individualism, anarchism, ultra-democratization, arrogance, conceit, and superciliousness. By preaching so-called consciousness of independence transcending class or politics, he was attempting, vainly, to incite the unexperienced young people to abandon the guidance of Marxism and the leadership of the CPC, turning them into an instrument in the hands of hostile forces at home and abroad.

We must hold the communist banner of the spirit of Lei Feng ever higher, thoroughly crush the evil conspiracy of Fang Lizhi and his ilk, and destroy the reactionary strategy of "peaceful evolution" perpetrated by international monopoly capitalism.

The spirit of Lei Feng will remain youthful forever. Communism is irresistible.

## NORTHWEST REGION

### Gansu Holds Conference on Elimination of '6 Vices'

90CM0059A Lanzhou GANSU RIBAO  
in Chinese 24 Feb 90 p 1

[Article by reporter Zong Min (1350 2404): "Initiating, Deepening, Protracting the Elimination of the 'Six Vices'"]

[Text] Lanzhou—The provincial report-back conference on deepening the elimination of the "six vices," held by the provincial party committee and the provincial government, lasted four days, ending in Lanzhou on 23 February.

On the foundation of checking and summing up the work in the previous stage on eliminating the "six vices," the conference further analyzed the situation, unified the understanding, and clarified tasks. The conference called for strengthened leadership and vigorous work in the new year, initiating an unremitting, deepgoing, and protracted struggle throughout the province to eliminate the "six vices," and promoting a turn for the better in society's atmosphere and public order.

Wang Jintang [3769 6855 1016], Standing Committee member of the provincial party committee and concurrently director of the provincial Public Security Department, and Mu Yongji [4476 3057 0679], vice governor, chaired the conference and made speeches.

The conference maintained that since November of last year, under the leadership of the provincial party committee and the provincial government, and in accordance with the State Council's unified plan, the province, making its focus the continued deepening of the "elimination of pornography" and giving prominence to the prohibition on drugs, organized and initiated unified actions to eliminate the "six vices." With the common efforts in all places and all aspects, and with the support of the broad masses, marked results were obtained in this struggle. The main manifestation of this was that the broad masses initially got going and cracked a large number of "six vices" criminal cases. "Six vices" criminal cases floating on the surface were attacked and dealt with, and a number of people who had engaged in "six vices" illegal behavior were educated and rehabilitated. Thus, public order took a turn for the better. This shows that a good beginning has been made in this struggle, and that the foundation for deepening the struggle has been laid.

The conference pointed out that at present the development of the struggle to eliminate the "six vices" is still unbalanced and that there exist weak aspects and weak links. At individual localities and a small number of units, actions are sluggish, organization and leadership are not vigorous, and results are not great. Certain measures are not efficient enough and cannot meet the needs of the struggle. The propaganda is not sufficiently thorough, the impetus is not great, the serious nature and the dangerous nature of the "six vices" are not sufficiently exposed, and the broad masses have not yet been fully mobilized.

The conference pointed out that for the first half of this year the focus of the provincewide struggle to eliminate the "six vices" is still to thoroughly "eliminate pornography" and give prominence to the prohibition of drugs. The goals of the struggle in the social aspect are to bring under control the manufacture and dissemination of obscene articles, the kidnapping and selling of women and children, the use of feudal superstition to cheat people out of their money and to harm them, and drug use and drug trafficking; and to markedly reduce the number of prostitutes and whores and the instances of mass gambling.

To achieve the above-mentioned goals, the conference called on each area and each unit to do the following work well: First, improve understanding, strengthen confidence, and establish the idea of regularly engaging in the work untiringly. We should cool-headedly see that the "six vices" illegal and criminal activities are in a dynamic state of constant change, and cannot be completely stamped out by one or two crackdowns. Only by constantly studying new situations, taking new measures, improving work, perfecting systems, and engaging in the work regularly and untiringly can we reduce the "six vices" illegal and criminal activities to the lowest extent. Second, strengthen leadership, make careful plans, and organize and launch the struggle to eliminate the "six vices" by suiting measures to local conditions. Each area and each unit must, proceeding from reality, determine the key points in its own area and own unit, and arrange and deploy work, each with its particular emphasis. Third, geared to the needs of the basic level and geared to the needs of the masses, thoroughly and solidly launch propaganda mobilization work. Each area and each unit must make the launching of mass work an important task to be grasped, and must, from many sides and by adopting various forms, widely launch propaganda mobilization work, and guide the masses to constantly struggle against the "six vices" lawbreaking and crimes. Fourth, each trade and each profession must scrupulously discharge its duties, give full play to its function and role, and work throughout society in a uniform and common manner. The unit leadership responsibility system must be implemented, putting into practice the method of the unit vouching for its staff and workers, the school vouching for its students, and the neighborhood, township, and village vouching for its residents; and at all levels there being responsibility for task completion. While getting a good grip on the internal, systematic work of eliminating the "six vices," each department and each area must attend to its own duties, work hard to display its function and role, and vigorously take part in and cooperate with all of society in the work of eliminating the "six vices." Fifth, heavily and rapidly attack the serious "six vices" criminals, and improve and perfect the various measures to check on and stop them. The spearhead of the attack must be aimed at the criminals who manufacture drugs and traffic in drugs and who use drugs to entice and instigate teenagers into lawbreaking and crime; procuresses and "panderers" who force or entice women into prostitution; gambling bosses and professional gamblers who lure crowds to gaming houses and who encourage gambling en masse and traders in human beings who kidnap and sell women and children, and witches, sorcerers, and chiefs of reactionary secret societies who cause serious consequences by using feudal superstition to cheat people out of their money and harm them.

### LIAOWANG Details Extent of Taiwan Investment in Fujian

90OH0424A Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese  
No 8, 19 Feb 90 pp 9-10

[Article by Li Fei (2621 7236), Research Assistant, Taiwan Research Institute, Xiamen University]

[Text] An upsurge in Taiwanese investment in Fujian is now in progress. It is gradually replacing trade as the main form of commercial contact and forming the main economic link between the two provinces.

#### From Throwing Out Feelers to Stable Development

Taiwan commercial investment in Fujian began in the early eighties. The first enterprise in which there was Taiwanese investment was set up in Quanzhou in 1981. The first Taiwanese investment in Xiamen was in June 1983. From then on, it continued until there were investments throughout the province. By 1987, there were 58 enterprises in Fujian in which there was Taiwanese investment, amounting \$40 million. During this period, the Taiwanese authorities had not yet lifted their prohibitions. The investments had to be concealed. As a result, they were scattered and piecemeal, the volume was small, and the size of the firms limited.

Following Taiwan's removal of its foreign exchange controls and the beginning of family visits to the mainland, Taiwanese businessmen, under the pretext of visiting family members, came in droves to check out Fujian investment prospects and to select investment sites, thus creating a general rush to invest in Fujian. In 1988, 180 Taiwanese commercial investment projects were approved in the province and total investments came to \$140 million, increases of 3.1-fold and 3.6-fold respectively, compared with the totals for the previous seven years. In 1989, the trend expanded further. In the first five months of the year alone, 126 new projects were signed, for a total of \$160 million. By the end of May 1989, there was a grand total of 365 projects in Fujian in which there was Taiwanese investment, agreements to invest \$340 million in Taiwanese funds, and more than 200 enterprises invested in by the Taiwanese which had been completed and were in production. During this period (1988-1989), Taiwanese investment activity was characterized by the following aspects:

By examining the distribution among the localities and cities, it can be seen that investment activity has been concentrated mainly in the Jinsanjiao region in southern Fujian. Because of their blood ties in southern Fujian and because of the similarity of the land with Taiwan, it is only natural that Taiwanese businessmen would be especially attracted to the region. By October 1989, more than 400 Taiwanese investments had been approved for the three cities of Xiamen, Zhangzhou, and Quanzhou, with agreements reached for \$420 million. This accounts for more than 80 percent of Taiwanese investment in the province. Two hundred and four of these projects are in

Xiamen amounting to more than \$300 million. In addition, there are almost 100 enterprises in the coastal regions of Fuzhou and Putian with Taiwanese investments of several tens of millions U.S. dollars.

As for the size of the investments, middle- and small-sized projects which yield quick results have predominated. The majority of Taiwanese businessmen who come to Fujian to invest are associated with middle- and small-sized enterprises in Taiwan which have had difficulty establishing themselves and have been forced to transfer abroad. The amount of their investments are mostly under \$1 million. The average investment per individual project for the whole province is approximately \$930,000. The investments in Xiamen have been larger, averaging \$1.7 million per project. The size of investments in the other regions is smaller, averaging only \$500,000. The average construction time for enterprises invested in by Taiwanese is short, only three to five months. The shortest has been one month, and the longest one year. For most, the agreements are signed fast, and they go into production fast.

In examining the areas of investment, we find that the lower levels of export processing and assembly industries predominate. The industries that Taiwanese businessmen have shifted to Fujian are generally those which are in decline in Taiwan, mainly manufacturing industries such as labor intensive light and textile industries. The areas in which this investment is focused differs according to local conditions. For example, in Xiamen light and textile industries predominate (approximately 70 percent). It has both real estate development and comprehensive investor services. The focus in Zhangzhou is on foreign exchange earning agriculture such as aquatic products, the processing of farm products, and orchards. In Quanzhou, a miscellaneous goods industry predominates, such as clothing and fabrics. In other regions, aside from light and textile industries, there is development of raw materials and the processing of raw and semifinished materials. The majority of the products are exported to the United States and Europe. Foreign sales average about 70 percent, and in Xiamen, they are as high as 85 percent.

In looking at the forms of investment, we see that there are foreign owned enterprises as well as joint ventures and contractual joint ventures. There are also three forms of import processing and compensation trade. There are a great diversity of forms. In Xiamen, the foreign owned enterprises predominate, accounting for 69 percent of those with Taiwanese investment. In other areas, joint ventures and contractual joint ventures predominate. At present, for these enterprises, the Taiwan side, in addition to providing funds, technology, equipment, and information, is responsible for administration and management, importation of materials, and product sales. The Fukienese side generally provides factory buildings, land, and labor. The period of operation is for 10 years or more. Generally, it is for 20-30 years, with the longest period being for 70 years.

It can be seen from the above that Taiwanese investment in Fujian at the end of the eighties had moved from the exploratory stage to the stage of stable development. Investment activity has progressed from the piecemeal, concealed, and scattered to large numbers, open, and integrated, thereby forming a strong upsurge. This has created an excellent climate for continuing Taiwan investments into the nineties.

#### **The Importance of Improving the Investment Climate on Future Developmental Trends**

Future developmental trends for Taiwanese investment will hinge on changes in Taiwan's domestic politics and its economic situation and on how Fujian improves its investment climate.

Because of the increased value of the New Taiwan dollar, the rise in wages and land prices, as well as the heightened awareness of the workers and greater consciousness of the need for environmental protection, part of Taiwan's labor intensive industry has lost its competitiveness and has had to be gradually shifted abroad. Taiwan authorities, based on concern for economic interests as well as pressure from Taiwanese businessmen, have gradually relaxed the restrictions on economic contacts between the two shores. For these reasons, the enthusiasm for Taiwanese investment in Fujian will probably become even stronger and the "mainland fever" on the island even more pronounced.

Fujian constitutes an experimental zone in the overall reform of the mainland and, as such, for the purpose of its economic development, enjoys the benefit of "special policies and flexible measures" conferred on it by the central authorities. In recent years, Fujian has taken a number of effective actions to improve its investment climate. It has not only undertaken to vigorously build up its public infrastructure, with, for example, hydroelectric power stations, the engineering project to electrify the Ying-Xia railway, and the project to extend the Xiamen harbor in order to further improve transportation, hydroelectric power, and communications, it has also taken measures that contribute to "safety, convenience, preferential treatment, flexibility, and integration" and drafted a series of regulations to encourage Taiwanese investment as well as laws to guarantee legal rights and interests to Taiwanese businessmen. Fujian has also promulgated the "one efficient handling and four guarantees," that is, efficiently handle the presently existing enterprises with Taiwanese investment and guarantee the implementation of contracts, guarantee the priority supply of water, electricity, transportation, and communications, guarantee the safety of enterprise production, and guarantee the legal rights and interests of Taiwanese businessmen. At the same time, Fujian has also set up in various localities bodies to handle Taiwanese investments and trade services, which to a certain extent has improved administrative efficiency. In 1989, Xinglin and Haicang near Xiamen were approved by the State Council as "Taiwanese Investment Zones," and they have begun initial planning and development.

Mawei near Fuzhou and Meizhou near Putian were also listed by the provincial government as test zones for Fukienese-Taiwanese economic cooperation. They are ideal locations for Taiwanese investment in Fujian. These efforts are creating an excellent investment climate for Taiwanese investment in Fujian for the nineties.

In addition, Fujian has certain advantages with respect to its weather, its geography, and its cooperative population. Historically, the two provinces of Fujian and Taiwan have had close ties. Eighty percent of Taiwan's inhabitants are descended from emigrants from southern Fujian. As a result, their language, customs, and cultural backgrounds are similar. They possess a strong "affinity" for each other. The two provinces are geographically close. Kaohsiung is only 165 nautical miles from Xiamen. This could save a great deal in transportation costs. Furthermore, Fujian has an ample labor force with a relatively good educational level. And the cost is cheap. Monthly wages are only a tenth of those in Taiwan (approximately \$50). For these reasons, Fujian was, is, and will be the most popular province on the mainland for attracting Taiwanese investment.

#### **Structural Changes That Will Be Caused by Taiwanese Investment Activity**

The ever-increasing improvements being made in Fujian's investment climate and the trend for Taiwanese investments to expand in the nineties will give rise to structural changes.

First, in addition to the original medium- and small-sized enterprises, Taiwanese investment will in the future expand to include certain large-scale conglomerates. This is mainly because of the need for raw materials caused by Taiwanese mainland investments in medium- and small-scale enterprises engaged in low-level industrial production. This will encourage the large conglomerates that supply raw materials to also come forward with investments in middle- and high-level industries as well as service industries to facilitate coordination. According to reports, a certain financial Taiwan consortium now has plans to invest \$120 million in Xiamen during the first five years of the nineties for the production of industrial chemicals and for real estate management and development.

Second, the size of Taiwanese investments will continue to expand. In the past, each Taiwanese investment has been about several hundred thousand U.S. dollars. From now on, there will be a tendency for the size of these investments to be much larger because of the larger scale enterprises involved. For example, a certain Taiwanese financial consortium and the Indonesian Lin Shao Liang Group are jointly investing \$200 million in a project in Xiamen for sectioning polyester fibers that is formally scheduled to begin on 10 January 1990 and to commence production within two years. In the last few months in Xiamen, there have been more than 20 Taiwanese investments averaging more than \$10 million each.

Third, industries are becoming increasingly diversified and their technical level is gradually improving. The previous stage of Taiwanese investment was limited to the manufacture of such things as clothing, fabrics, shoes, umbrellas, and toys, relatively low-level industries relying on labor intensive technology. With the advent of economic development, industries invested in by Taiwanese will expand to a higher level of technology needed for electronics, electrical machinery, microcomputers, as well as precision instruments and industrial chemicals. At the same time, development of land for industrial sites, real estate management, tourist hotels, and recreational facilities will be of interest for Taiwanese investment.

Fourth, as for the pattern for investments, there will be an increased trend in foreign-owned enterprises. In the initial period, because Taiwanese investors in Fujian were not familiar with the mainland's economic structure and its investment climate, most of them selected joint ventures and contractual ventures. With the increase in investors and after they have gradually come to understand the mainland's investment climate, more of them will select the foreign owned method so that they can exercise self-management of the enterprises.

Finally, it is anticipated that development in the nineties of Taiwanese investment in Fujian will bring a new period of cooperation between Fujian and Taiwan.

**Finance Industry Progresses Toward Privatization**

90OH0293A Hong Kong CHING-PAO [THE MIRROR] in Chinese No 1, 10 Jan 90 pp 77-79

[Article by Wang Hong (3769 1347) on 10 December 1989: "Taiwan's Finance Industry Moves Toward Liberalization and Internationalization"]

**[Text] Initiating Liberalization in 1987**

Taiwan's finance industry made marked progress during 1989 in liberalization and internationalization.

The so-called liberalization of the finance industry refers to the relaxation of control over the finance industry by the authorities. In Taiwan, it also means allowing the privatization of the finance industry. The internationalization of the finance industry refers to the relaxation of foreign exchange and capital control, allowing local financial organs to do business overseas and foreign financial organs to enter the financial market of the island. The two complement each other.

The liberalization and internationalization of Taiwan's finance industry is a component of the liberalization and internationalization of Taiwan's economy as a whole in recent years, but it is even more important than the liberalization and internationalization of other industries. This is because the finance industry holds the balance in the modern commodity and money economy and because the liberalization and internationalization of Taiwan's finance industry started late compared to that of other industries. For instance, the liberalization of Taiwan's auto industry started in 1985 with the "Development Plan of the Automobile Industry." But before 1987, Taiwan's banking industry was monopolized by public banks. While forbidding the private management of banks, the authorities also forbade banks on the island to set up branches outside the island. Foreign exchange was under strict control.

The first sign of liberalization and internationalization of Taiwan's finance industry was recorded in 1987 and 1988. In November 1987, Taiwan passed the "Amendment of Foreign Exchange Control Regulations," relaxing foreign exchange control. In July 1988, the authorities further relaxed foreign exchange control, allowing island residents to transfer \$50,000 out of the island every year. On 7 September, the news media revealed that the authorities planned to sell the shares of three public commercial banks on the local market (namely 23.5 percent of the shares of the First Commercial Bank, 7.1 percent of the shares of the Huanan Commercial Bank, and 5.3 percent of the shares of the Changhua Commercial Bank). This was considered as the first step toward the privatization of public banks. However, it was a very small step. Even if shares are sold as planned, the Taiwan government will still hold at least 51 percent of the shares of every bank. Besides, according to the scheduled plan, this step was supposed to be taken sometime in 1989.

**Relaxing Foreign Exchange and Securities Control**

The marked progress of Taiwan's finance industry in liberalization and internationalization in 1989 is demonstrated in the following six areas:

**1. Further relaxing foreign exchange control.**

On 27 March, the Central Bank of Taiwan announced that beginning 3 April Taiwan's foreign exchange market will abolish the weighted-average fixed foreign exchange rate system for new Taiwan dollar and U.S. dollar. Except for noncash settlement of exchange under \$30,000 which is still based on the "fixed exchange rate for a small amount of settlement," small amounts of cash transactions under \$30,000, interbank transactions, and large amounts of transactions are all carried out according to market exchange rates. This enables Taiwan's foreign exchange market to compare with the United States, Japan, and West Germany in regard to the degree of liberation. So this action was called the beginning "of the official entry of Taiwan's foreign exchange transactions into the new era of overall liberalization." In May, the authorities again announced that the \$50,000 limit of the highest amount of U.S. dollars that a company or individual could transfer in or out of the island was lifted.

**2. Relaxing control over the securities industry and opening up Taiwan's securities market.**

For a long time, Taiwan's securities business consisted of only three securities companies. On 2 February, the Ministry of Finance invited the Central Bank, the securities control committee, the Ministry of Economics, the securities business association, and securities companies to discuss issues concerning the legislation of "the Law of Securities Finance Business" and decided to open up the management space of securities finance companies. It includes: 1) Selling government and financial bonds with a maturity period no longer than three years (current limit is under one year); 2) adding new services. For instance, future securities finance companies may establish a "money market common trust fund" and sell beneficial certificates. For the open operation of securities finance companies, the Ministry of Finance will adopt, in addition to the legislation plan, emergency measures to revise current rules and regulations for the control of short-term securities dealers and open up the management space of securities dealers ahead of schedule. The securities control committee of the Ministry of Finance pointed out that it will allow comprehensive securities dealers to engage in the circulation of securities and bonds to stimulate the stock market and eliminate underground C-type financial activities.

On 21 June, the securities control committee announced that foreign securities companies will be allowed to set up subsidiaries in Taiwan and participate in local and foreign stock exchanges and that investors will be allowed to directly buy and sell foreign stocks, government bonds, and commercial bills in Taiwan. Before

this, investors were only allowed to buy mutual funds issued by local or foreign investment and trust companies.

#### **Opening Up Banking and Insurance Business**

##### **3. Promoting the privatization of the banking industry and broadening foreign banks' management space in Taiwan.**

On 11 July, Taiwan's Legislative Yuan passed the "Amendment of the Banking Law" which allows private investment in banks and gives foreign banks the "national treatment," allowing them to engage in all banking businesses on the island. This enables Taiwan's banking industry to compare with Hong Kong and surpass Singapore in regard to the degree of openness. So the "Amendment of the Banking Law" is considered as an important milestone in the liberalization and internationalization of Taiwan's finance industry.

##### **4. Opening up the insurance market.**

The Ministry of Finance of Taiwan promulgated for the first time the "Draft of the Amendment of the Insurance Law." According to this draft, Taiwan will open up the insurance market simultaneously to the island and the world.

##### **5. Abolishing gold import tariff.**

On 10 April 1951, Taiwan authorities promulgated the "Financial Measures and Procedures" to forbid the free transaction of gold bars, bullion, and foreign currencies. In November 1986, they permitted gold import but collected import tariff. Later they reduced gold import tariff from 2.5 to 0.6 percent. Beginning in August, the import tariff was abolished completely.

##### **6. Establishing the U.S. dollar lending and borrowing market.**

The U.S. dollar lending and borrowing market within financial organs was established in Taipei in August. Before this, despite the fact that Taiwan's foreign exchange reserve was the second highest in the world, for the reason of safety and convenience in circulation, the Central Bank of Taiwan deposited foreign exchange reserve in overseas banks, mainly banks with U.S. investment. This practice brought some disadvantages. One was lower interest rate. Another was that local banks could not utilize it. When local banks needed foreign exchange funds, they had to borrow from foreign banks at higher interest rates. Therefore, while deciding to establish a U.S. dollar lending and borrowing market, the Central Bank of Taiwan allocated \$3 billion of its foreign exchange reserve for the preliminary basic fund of this market in an attempt to "cast a brick to attract jade." It also relaxed to a certain degree the restrictions on the overseas debt of banks in an effort to coordinate with industrial and commercial circles in the circulation of trade funds and vitalize the U.S. dollar lending and borrowing market. In addition to foreign banks that have

opened in Taiwan, other overseas financial organs are also allowed to operate in this market.

#### **Problems Facing Taiwan's Finance Industry**

The goal of Taiwan authorities is to make Taiwan one of the world's advanced "countries" in 10 years, namely by the end of this century, and one of the international financial centers of Asia-Pacific region in five years. When commenting on the opening of a U.S. dollar lending and borrowing market in Taipei, Yu Cheng [0205 2398], the spokesman of the Central Bank of Taiwan, pointed out: Perplexed by the issue of 1997, the business of the Hong Kong dollar lending and borrowing center may shrink. Because of this, Taiwan's foreign exchange lending and borrowing market has large room for growth and the condition to become an international financial center. He predicted that this wish may be fulfilled in five years.

It is true that Taiwan has become the fourth U.S. dollar lending and borrowing market of East Asia, following Tokyo, Hong Kong, and Singapore. The volume of its stock market transactions has leaped to the third place in the world, next only to Tokyo and New York. The degree of liberty in its foreign exchange market is comparable to that of the United States, Japan, and West Germany. The degree of openness of its banking industry is comparable to that of Hong Kong and surpasses that of Singapore. In addition to the huge amount of foreign exchange reserve that ranks second in the world, Taiwan's finance industry has the potential for continuous growth. However, there are still many problems waiting to be overcome.

##### **1. Infrastructure needs improvement.**

As far as the dollar lending and borrowing market is concerned, although the interest rate it provided is one sixteenth lower than that provided by its Singapore counterpart, due to a lack of market information, a prolonged process of transaction, and a limited amount of funds available for lending and borrowing, banks suffer many inconveniences.

##### **2. Personnel training is urgently needed.**

According to the latest information published by the "American Banker" magazine on 24 July 1989, of 500 world's largest banks, nine are in Taiwan. They are Chinmen Bank (ranked 136th place), Taiwan Bank (141st), First Bank (187th), Huanan Bank (216th), Land Bank (220th), Changhua Bank (237th), Taiwan Medium-sized and Small Enterprises' Bank (308th), Taipei City Bank (361st), and Communications Bank (401st). However, although financial and economic authorities have repeatedly urged Taiwan's banks to vigorously set up branches in Europe to adjust to the fact that the European Community is going for a single market in 1992, as of today only the International Commercial Bank of China has a branch in Paris, and the First Bank has a branch in London and an office in Frankfurt. Why? The biggest difficulty and obstruction is personnel. "It is

really hard to find people who know European languages and can expand banking business."

### 3. Foreign exchange control must be further relaxed.

When it opened the Taipei dollar lending and borrowing market, the Central Bank of Taiwan relaxed to a certain degree the restrictions on banks' overseas debt. But like businessmen and experts said, currently Taiwan authorities still have many restrictions on foreign exchange. For instance, there is a ceiling on the amount of external debt of local banks, forward exchange transactions are not allowed, and dealings in above-quota foreign exchange are restricted. If Taiwan wants to become an international financial center, it should further relax its foreign exchange control.

### Financial and Stock Market Need To Be Perfected

#### 4. Stock market management needs to be perfected.

Judged by the volume of transactions, Taiwan's stock market claims to be third in the world, but it includes too much element of speculation. There will be no stock market if there is no speculation. But Taiwan's stock market is like a gambling house, meaning it is too much. For instance, some fanatic gamblers of Liuho lottery in central and southern Taiwan use the method of seeking out the "lucky card," which they used in playing Liuho lottery to conduct short-term operations with "individual stocks," causing some "individual stocks" to soar or plummet abruptly. Some stock brokers even coordinate with them or help them seek out the "lucky card." Even more, "underground investment companies" invest in the stock market to give out high interest payment on savings deposits. As a result, most increases in market value are due to the price rise of stocks, not increases in the number of companies entering the market. Beginning 1 November 1989, Taiwan's stock exchanges will use a new central delivery and collection system which will make stock transactions safer and more efficient and will help stop counterfeit stocks (as of 1 November 1989, counterfeit stocks cost securities companies at least NT\$100 million). This may be seen as a step taken by Taiwan authorities to improve the stock market.

#### 5. The financial market needs improvement and the finance industry needs broadening.

Tokyo, Hong Kong, and Singapore have already become the three major financial centers of the Asia-Pacific region. Trying to rise under this precondition, Taiwan cannot expect others to decline. It can only rely on its own growth. The reason is self-evident:

On the one hand, the liberalization of Taiwan's finance industry has just started, restrictions on the banking business need to be further relaxed, the "law of the securities finance industry" has not been promulgated, opening the securities finance industry is in general still under discussion, opening the insurance industry has many restrictions, and the "drafted amendment of the insurance law" has not been adopted officially. On the

other hand, the unrestricted import of gold has been realized but the unrestricted export of gold has yet to appear. Therefore, it will take some time for Taiwan to become an international financial market.

#### 6. Financial (economic) liberalization is conditioned by political democratization.

That Taiwan's economy, including finance, is long restricted by the public sector conforms to political autocracy. Economic (including financial) liberalization is bound to demand and promote political democratization. It also needs the counteraction of political democratization.

Under a controlled economy, the existence of large amounts of "underground" economic activities is inevitable. This point has been proven by "underground investment companies" in Taiwan's finance industry and the widespread practice of gold smuggling. Therefore, the liberalization of the finance industry will either have to ban underground economic activities or force them to switch to "above ground" (legalized) operations. However, in Taiwan, behind underground economic activities, more often than not political forces are involved. According to the information published by the "Public Forum" newspaper on 17 July 1989, Taiwan's "underground investment companies" involve Chiang Wei-kuo, Hsieh Tung-min, and other senior KMT members or important officials. No wonder "underground investment companies" have remained unchecked for a long time.

The lack of competent people in the banking industry actually has something to do with the seniority-based promotion system which has been in effect for many years. Middle-management personnel who are between 35 and 45 years old and who have foreign language and professional skills cannot be promoted to manager of an overseas branch because rules cannot be broken. In view of this, Taiwan's newspapers cried out: "Rigid system has hindered the development of financial internationalization!"

### Analysis of Li-Hau Political Struggle

90ON0328A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 241, 1 Feb 90 pp 94-95

[Article by Liu Chien-sheng (2692 0256 3932): "Background of the Firing of the Editor in Chief and Taiwan's High-Level Power Struggle"]

[Text] Last year, in mid-December, the editor in chief of Taiwan's TZULI TZAO PAO was fired by the paper for printing a sensitive story about the election. The reason was not as simple as the story being "untrue." The main reason was a behind-the-scenes power struggle at the highest level.

In mid-October 1989, during Taiwan's election campaign for three categories of public office, Li Teng-hui, who had rather set views concerning party, political, and

military matters, tried to head off the use of Hau Pei-tsun's [6787 2672 2625] term of office as a campaign issue by the parties out of office. He tried unsuccessfully to work out a deal with Hau about whether he would stay or go, so he huddled with that part of the senior military headed by Sung Chu-yu [1345 2806 3842], Li Huan [2621 3562], Cheng [6774], et al., and announced in late October that "military strongman" Hau Pei-tsun had been moved from his post as chief of staff to become minister of national defense. This sudden move aroused a reaction from the military, throwing some variables into the election and that for president to come.

#### Hau Pei-tsun's Transfer and the Military Reaction

Because of the schism between Li and Hau, the "Military Group" headed by Hau began building roadblocks against the Kuomintang [KMT] campaign strategy. On 25 November, after Li Teng-hui published the order ending Hau's job as chief of staff, the "He Ting-cheng [6320 1353 2052] Special Projects Group," which was responsible for nominating candidates from the military, showed its dissatisfaction by campaigning for 31 military candidates for the legislature, but failed to campaign for the people proposed by the KMT for mayor or magistrate.

And also because of such resentment, at the last party-political-military joint conference called on 1 December by the KMT, the military delegates focused on the campaign in its final critique by pointing out, "if the voter turnout for mayors and magistrates tops 70 percent, the KMT will lose seven races, the military would be sure to get 10 of the 13 legislative spots. If the military does not, don't count on Hau becoming defense minister." These words astounded the conference chairman, and expressed the depth of the most recent schism.

In the murky political struggle, the party politicos wanted to keep the military flame low, and the National Security Bureau's intelligence control organ chose to use the TZULI TZAO PAO to attack the military. This decision, which embroiled the paper unwittingly in this high-level power struggle, also laid the groundwork for the firing of editor in chief Chen Kuo-hsiang [7115 0948 4382].

From 21 November to 9 December, in the midst of the campaign, the TZULI TZAO PAO obtained through the National Security Bureau numerous Top Secret documents of the He Ting-cheng Special Projects Group concerning the military and successively printed them. The publication shocked the military, Hau Pei-tsun gave orders to track down the leaking culprit. At first, Hau's group guessed it to have been someone of high rank in the Political Warfare Department headquarters. Not until 21 November did Hau conclude that it was not someone in the Defense Ministry but in National Security. He then gave orders to run down whoever leaked the "Summary of Number of Persons Participating in Each Municipality or Magistracy," feeling the situation had

become grave. From then on, the actions of the TZULI TZAO PAO were closely monitored.

After close investigation, Hau began to believe that the paper did not get its news from its own reporters, but from National Security people who chose, typed, and personally delivered documents for printing to the paper. Because of the complexities behind the scenes, Hau and his people lay quietly, asking that the Defense Ministry's Political Warfare headquarters check closely for connections between the two.

On 5 and 7 December, the paper successively printed articles entitled "18 Days of Special Group Activities Outside Taiwan" and "...Inside Taiwan." Because it clearly pointed out the involvement of the military in the campaign, outside attention was aroused with unfavorable views of the military. Greatly angered, Hau and his group decided to retaliate.

#### Source of the Paper's News

On 8 December, at noon, a National Security Bureau member secretly sealed and delivered information concerning the military activity in the campaign for a Taipei magistracy to the desk of editor in chief Chen Kuo-hsiang. Someone took it and it wound up in the hands of Hau Pei-tsun. Perplexed at first, he concluded that this was the start of the "struggle." He then asked for an explanation from National Security official Sung Hsin-lien [1345 1800 3425].

When Chen Kuo-hsiang discovered that the sealed documents were missing, he became angered by the military's actions. From memory, he dictated an oral narrative to a reporter which resulted in a front-page article, "You Ching [1429 3237] Got More Than 4,000 Votes in Taipei Magistracy Election." Upon learning this, Hau Pei-tsun telephoned Sung Hsin-lien to express his "deep concern." A phone conversation at 0100 on 10 December between Hau and Sung indicated divergent positions on supporting Li Teng-hui. If both sides did not severely restrict themselves in the face of public opinion's aversion to the military involving themselves in politics, there would be serious consequences.

From the Top Secret documents given to the paper, it was clear that as the voting for the Taipei magistracy began on 2 December there were significant troop activities with the purpose of preventing any turbulence. Troops were put on a state of high alert: Troop commanders kept a close liaison with the "He Ting-cheng Campaign Center." The result of the 2 December election was that, had Li Teng-hui immediately announced the election of You Ching, thus getting the troops to be pulled back, it would be hard to have imagined the consequences.

However, just as this high-level power struggle was about to subside, because the TZULI TZAO PAO's Mr. Chen Kuo-hsiang thoughtlessly published the news, he almost reignited the dispute. As he did not understand the circumstances of the battle, he neglected the timing and

the people concerned, and so when he published it, all parties concerned denied it, forcing Chen's suspension and subsequent dismissal.

#### Future Relations Between Li Teng-hui and the Military

The cover was that Chen's story had not been checked out, but whether this was true or not could not be verified. The key link here lies in the subtle relationship between Li Teng-hui and the military intelligence organization. Even if Chen's article was entirely factual, it would have been denied on all fronts.

In the recent two years of Li Teng-hui's presidency, political observers in Taiwan and abroad have considered him and Hau Pei-tsun to be as close as one. But it can be seen from the campaign just how much support Li got from the military in his move to transfer Hau.

In the past, observers had also considered the military and the intelligence systems as monolithic, but the facts indicate that there are in fact two factions: Pro-Li and Pro-Hau. From their interaction, the pro-Hau intelligence elements must be in the majority. Otherwise, the leaked documents might not have wound up in Hau's hands.

The curtain has now dropped on Chen's dismissal, and there is no real need to investigate further. But cause for concern is what the future interrelationship will be among Li and Hau and the military for the sake of stabilizing the political situation in Taiwan. According to observation, Li is sure to win in the presidential-vice presidential election this March, but he has not clearly shown his choice for the second spot, arousing great anxiety in the political arena. Only the military seems to have adopted a "cool" attitude toward the presidential election, even seeming to take a "neutral" stance. This is a rather noticeable contrast to their position in the elections for the other offices. It is not hard to detect in this "hot and cold" attitude the residual feelings of Hau's military associates.

If Li is reelected and enjoys overwhelming popular support, the military are convinced that he will change the military. For this reason, Hau is trying to cover himself by getting his people set up for key positions in the first wave of any changes. Aside from such Air Force generals as Chen Jung-ling [7115 2837 7881] and Chao Chih-yuan [6392 4249 6678], who do not belong to his clique, others were all assigned by Hau. At the same time, Hau is saving some people for the second wave of change to counteract Li. From Hau's worried point of view, the Li-Hau political struggle will probably continue. But as long as things do not get too prickly, both sides can keep up a cordial facade. Now that he is at the crossroads of time, how will Li Teng-hui deal with or face the military challenge to come?

#### Editorial Urges Expansion of Trade With Eastern Europe

90OH0430A Taipei CHING-CHI JIH-PAO in Chinese  
12 Feb 90 p 2

[Editorial: "How To Seize the Opportunity for Trade With Eastern Europe"]

[Text] The rapid pace of democratization being carried out in Eastern Europe and the Soviet Union could give rise to a succession of major changes throughout the world. For the time being, while these changes are going on, it will not be easy for Taiwan to achieve any major political or diplomatic breakthroughs. However, as for economic trade, it is imperative that we make the necessary adjustments to these inevitable and powerful changes in order for Taiwan to expand its living space.

The population of Eastern Europe is over 400 million people, and its overall per capita income is more than \$3,000, with some countries going as high as \$7,000 or \$8,000. They cannot be considered in the same category as the general run of impoverished developing countries. Although Eastern European countries possess natural resources, it is especially true that their military and welfare expenditures are inclined to be high. As a result, they are comparatively lacking in material goods. During their initial period of economic development, they will either have an urgent need for capital to exploit their raw materials and manufacture material goods or a large amount of material goods will have to be imported to satisfy people's demands. This is why there is an expansion of markets within the present global economy. The world markets taking part in this expansion naturally are helping maintain the prosperity of the international economy. Even though this is the case, this prosperity is conditional on the flow international capital. After being sealed off from development for 40 years, Eastern European countries suffer from a lack of foreign exchange reserves. If after their economies are opened up, they cannot receive a prompt introduction of capital, it will be difficult to make their markets efficient and even more unlikely that they will be able to expand.

Since Taiwan became a mature trading economy in the 1970s, the ties between its economic development and international economic trends have grown increasingly close. Thus it is that Taiwan's trade and economic development is likely to benefit indirectly from the long-range prospects for international economic prosperity that the expansion in world trade generates. What is more important is that Taiwan, with its emphasis on the export of light industrial goods, has in the last few years found it difficult to expand because its market has been too concentrated. The opening up of Eastern European markets brings new hope for greater dispersal of our export market. As a result, in the effort to develop new markets, Taiwan not only will be able to maintain its present system of production, it can also look forward to a rapid rise in the economy. However, Taiwan has been cut off from all relations with Eastern Europe for 40

years. If, in addition to the indirect benefits of international economic prosperity, we want to increase our direct benefits, we will have to adopt more positive tactics. We think that the following three measures are indispensable:

First, we must strengthen our trade data and personnel training. Trade contacts are naturally more useful when the contacts are direct. Hence, when trade with Eastern Europe and the Chinese Communists is mentioned, we immediately think that what is being considered is direct trade. However, we often neglect the informational and personnel support for direct trade. Irrespective of whether direct trade requires an administrative order or not, planning and time are needed before appropriate data and personnel can be provided. Up to now, our government has not done systematic research into international market conditions. Trading firms have no choice but to rely on secondhand data in making their decisions. The resulting losses incurred by commercial organizations because of delays naturally hinder the growth of trade. Up to now, Eastern European countries have been relatively unknown to Taiwan. Data and personnel are exceedingly important trade weapons. If we do not start preparing them soon, the opening of the Eastern European markets will come to nothing.

Second, we must rapidly develop transnational banking. Financial development and trade development go hand in hand. In retrospect, although Taiwan's trade contacts with Latin American countries faced a number of limiting factors, the government's limitation on developing transnational financial transactions caused trading firms to lose the backing of Taiwan financial institutions and was a major factor in preventing an all out effort to open up these new markets. Of course, it is still too early to start setting up banking operations in Eastern European countries. However, if Taiwan banking operations cannot be expanded and strengthened in the major international financial centers, then Taiwan's trading firms can go through the channels of the international financial centers for the services they need. This would provide them with more substantial backing for developing new markets. Otherwise, the so-called guaranteed Eastern European market will vanish as did our earlier hopes for a Latin American market.

Third, we must plan a communications and transportation network. Direct communications and transportation links will be indispensable for a new market like Eastern Europe. While it is true that at present Taiwan does not have to worry about capital, the way in which we are to open up transportation and communications channels after being cut off for 40 years is not a question of economics. We are waiting for the government to conscientiously and promptly complete the needed planning and promotion for this.

Finally, if the changed situation in Eastern Europe is to open up new trade opportunities for Taiwan, the government must, at the right time, adopt the necessary measures and policies and coordinate the efforts of the

trading firms. Only in this way can this new opportunity be transformed into concrete reality.

#### **Editorial on Foreign Currency Assets**

90OH0452A Taipei CHING-CHI JIH-PAO in Chinese  
13 Feb 90 p 2

[Editorial: "The Shock of Leaping to First Place in the World in Foreign Currency Assets"]

[Text] Recently, the fact that Taiwan has overtaken Japan and leaped to first place in the world in foreign currency assets has caused a lot of concern. In the past few months, because the Bank of Japan (the central bank) has continuously intervened in the market and sold out foreign exchange, Japan's foreign exchange reserves have decreased sharply. At the end of January, the Bank of Japan's international reserves, including foreign exchange, special drawing rights, reserve position in the International Monetary Fund, and gold, totaled \$82.6 billion. At present, the foreign currency assets of the Central Bank of China, the foreign exchange reserve it now holds plus \$4 billion it has provided the short-term dollar loan market and \$5.8 billion in gold, amount to \$83.8 billion, which is larger than the Bank of Japan's international reserves. However, we do not think that our Central Bank's leaping to first place in the world in foreign currency assets is something to brag about. Rather we should carefully study the problems lying behind and look for solutions.

Even when the differences between our Central Bank's foreign currency assets and the Bank of Japan's international reserves are taken into consideration, we are still ahead of Japan. Since we withdrew from the International Monetary Fund, we no longer have the two types of international reserve assets, namely, the "special drawing rights" and "fund reserve position," but, even without these two assets, our Central Bank's foreign exchange holdings including gold are still larger than that of the Bank of Japan.

The rapid accumulation of foreign exchange reserves in the past few years has greatly enhanced our international prestige, increased our economic power, and strengthened our economic and trade position, but it has also led to unprecedented economic and financial difficulties in the past few years, including the huge upward revaluation of the New Taiwan dollar under U.S. pressure, rapidly increasing money supply, growing inflationary pressure, overflowing capital, rampant currency games and speculation, soaring stock and real estate prices, and substantial waste and distorted distribution of resources. Particularly serious are the worsening situations of income distribution, pollution, and destruction of the ecological environment, which not only make it impossible to improve the quality of life for the people in general but adversely affect social harmony and political stability. Thus, though "Taiwan is overflowing with money," it is more like an "upstart"; though the Central Bank holds the largest foreign currency assets in the world, the quality of life for the people leaves much to be

desired, not only falling far behind the advanced countries but inferior even to many Central and South American nations. Obviously our economy has drifted away from the course of "balanced development" and is in a rather "morbid state."

How is it possible for Taiwan to become the world's largest holder of foreign exchange assets, considering the scale of its economy and state of its economic development? What is the basic reason? Everyone can see that it is the result of the faulty economic and trade policies, which for many years have given top priority to exports. At the same time, it is also clear to everyone that the basic way to deal with the situation is to drastically revise the economic and trade policies, go all out to liberalize the economy, and boost domestic demands. In fact, six years ago, the government adopted an economic development policy to fully liberalize and internationalize the economy, hoping to accelerate the upgrading of industry, change the industrial structure, achieve "balanced" economic growth, and improve the quality and standard of living. However, so far the desired goals are still beyond reach, and the economic and financial difficulties are getting increasingly serious.

Why has it been this way? The basic orientation of economic liberalization is very correct, but why has the policy not yet been effectively implemented after six years? The reasons are very complicated, but the crux of the problem lies in errors in implementation. The errors include mainly the liberalization measures, which are not in keeping with the trend and are unrealistic and incomplete, and the conservative and backward thinking and ineffectiveness of the implementing authorities. As to what has caused these errors, it may be that the officials in charge do not understand the policies and want to continue what they have been doing for many years, or that they are under the strong pressures of various interest groups. Another important cause is that the officials concerned worry too much about their personal political interests and lack political integrity and courage.

Thus, after the liberalization policy has been in existence for many years, measures and practices against liberalization are still found everywhere. For example, today the average effective customs tariff has dropped to under five percent, but imported cars are still levied 40 percent duties and subject to strict area restrictions or banned altogether. In another example, nearly a year has passed since the amended banking law was put into effect and the restriction on the opening of new banks lifted, but nothing has really changed, and the government still wants to limit the number of new banks. When will the

monopoly of banking by the existing financial institutions be completely terminated? For still another example, the restriction on nongovernment-operated passenger service on the freeways was finally lifted after countless calls by all circles, but so far only one Tung Lien Company has been permitted to operate to maintain a joint monopoly, and even this Tung Lien Company is prevented from starting services by all kinds of "administrative obstacles" to protect the vested interest of the Taiwan Motor Transport Company. Even the Central Bank, which has repeatedly expressed its unwillingness to see Taiwan's foreign exchange reserves overtaking Japan to become the largest in the world, still resists lifting all restrictions on the foreign exchange market, not even the more readily practicable forward exchange dealings.

Nor has much progress been made in boosting domestic demands to reduce the trade surplus, slow down the growth in foreign exchange reserves, and improve the quality of life. Owing to the deteriorating investment climate, private investment is at a standstill, but temporary or speculative investment is rising rapidly, and investment abroad including mainland China is growing at an amazing pace. There is no large-scale public investment planned, and progress on existing plans is falling far behind schedule. As a result, investment in the economic infrastructure and public utilities is seriously inadequate, which not only causes the investment climate to become worse but makes it more difficult to improve the quality and standard of living.

The Central Bank's leaping to first place in the world in foreign currency assets does have its positive significance in certain areas. However, if we look into the cause and problems stemming from it, we have no reason to feel proud, but should rather do some self-examination. The accumulation of an excessively large amount of foreign exchange has already led to the difficult economic and financial situation we are now in, and the leaping to first place in the world in foreign currency assets, as feared by a senior official of the Central Bank, is likely to bring even greater international pressure and increase our difficulties in economic development. Today, the rapidly changing economic and trade conditions at home and abroad call for us to go all out to pursue a policy of economic liberalization and try even harder to increase domestic demands. At this juncture when the ruling Kuomintang has nominated Mr. Li Teng-hui as the candidate for the eighth Chinese President and the Li Teng-hui era is about to begin, we deeply hope that the concerned authorities will effectively and thoroughly implement liberal new economic and trade policies and usher in a new situation of "harmonious" and "balanced" economic development.

**In Defense of Post-1997 Political System**

90CM0027A Hong Kong MING PAO  
in Chinese 19 Feb 90 p 29

[Article by Lu Fan-chih (7627 0416 0037)]

[Text] Although Hong Kong's "Basic Law" has yet to be officially passed by the Chinese National "People's Congress," the "Draft Committee" has already made a final version of this "small constitution" for the post-1997 Hong Kong Special Administrative Zone. It can be said that there is a new stage in Hong Kong's development in the "1997 transitional phase." Approximately four years have elapsed since 1985 when the "Hong Kong Basic Law Draft Committee" of the Chinese National "People's Congress" was formed. There have been reversals in the Hong Kong situation. Controversies over the "Basic Law" and its formulation have finally come to a temporary close. Although it appears that related political contradictions may still continue, in this transitional stage the question that really has to be discussed by Hong Kong residents is how to appraise the "Basic Law" and in particular the most controversial section on political institutions? Based on this appraisal, how does one tie it in with analyzing Hong Kong's actual situation and what is the response?

**Necessity of Compromise and Insufficient Democracy**

First, seen from the viewpoint of norms in modern advanced democratic political institutions or from the ideals of democratic values, the current "Basic Law" plan for political institutions naturally is still heavily conservative. There is an insufficient number of democratic elements and it even carries some "dissenting" elements (for example, when the Legislative Council proposes motions, legislators must still vote along party lines). However, as we criticize these issues we must also consider questions of reforming Hong Kong's political institutions and study and analyze Hong Kong's actual special environment, development conditions, and the recent political evolutionary sequence. Even in the initial stages of the "1997" issue and controversy over the "Basic Law," we started from the ideals of democratic values and made excessively high proposals. Still, in politics it is necessary to link ideals to reality and continuously readjust as feasible. Hong Kong's actual special environment and development conditions (overall existing conditions) determine that "Hong Kong-style politics" must be rather compromising or harmonizing.

To be sure, compromise or harmony is attained with great effort. From the level of overall tactics, a line of antagonism to compromise is obviously harmful to Hong Kong's overall development. It can be said that all must simultaneously strive for greater harmony or compromise, whether different levels within Hong Kong society, different political factions, or local Hong Kong and mainland bodies. Since various groups all want to use their own ideals, demands, or proposals when stressing coordination or compromise, under currently existing

low political levels, we cannot fantasize about "accomplishing the task at one stroke." Still, while maintaining long-term ideals and democratic principles, we must make comprehensive, balanced coordinated considerations while moving toward democratization. If there is a basic objective characteristic in the aforementioned "Hong Kong-style politics" then we must affirm that the "Basic Law" plan for political institutions has a harmonious spirit suited to Hong Kong's development. We cannot deny that there are harmonious efforts. What we have not adequately criticized is that—from the first day the "Draft Committee" was established, the "Basic Law's" plan for political institutions is overly slanted toward the top capitalist class and conservative forces. Actually, it was determined by the structure of the "Draft Committee." At the time, I publically criticized this action to some people in society, believing that the makeup of the "Draft Committee" was overly slanted toward the top capitalist class and conservative forces.

**Recognize "Basic Law" and Future "Revised Constitution"**

To sum up this point, I believe that emphasizing multi-facted comprehensive coordination efforts is one way the political institution plan of the "Basic Law" can be critically accepted. However, when coordination is overly slanted toward the highest levels of the capitalist class and conservative forces, this means that democratic elements cannot have enough "dissident" elements. It is on this point that I am dissatisfied with the "Basic Law's" political institution plan. So we should strive to revise the "revised constitution" in a legal manner—I was the first to propose that in the future Hong Kong Special Administrative Zone we must have a "constitutional revision movement." We must recognize the "Basic Law" as a premise while striving to revise it. If we do not fundamentally recognize it, then we are no longer a "revise the constitution movement" but rather an "abolish the constitution movement." This obviously is unsuitable. By not recognizing it we cannot have legislative struggles.

On the other hand, the so-called "revise the constitution movement" ought to take place after 1997. I disagree with the actual methods of some radicals. They not only criticize the inadequate democratic elements of the "Basic Law" political institution plan, but entirely oppose the need for coordination or compromise in "Hong Kong-style politics" or "1997 politics." This is clearly unsuited to the actual situation in Hong Kong.

**Not Far From "442" Proposal**

Next, the current "Basic Law" political institutional proposal provides that there will be 20 directly elected legislative seats at the first session of the legislative assembly, a bit more than the 18 seats proposed a short while ago. This is a 33-percent proportion, up six percentage points from the previous old main "Basic Law Draft Proposal" (27 percent). It is seven percentage points away from the suggestion in the "442"

proposal (40 percent). Calculated according to the actual seats, then there is only a four-seat difference—moreover, this ratio can be attained during direct elections of seats at the second session of the legislative assembly. In terms of time, that is only two years later, in 1999! To be sure, we can still criticize this slow pace of democratization, but as we consider compromising between Hong Kong's needs and Beijing's (China's main entity), actually, Beijing has yielded under broad criticism from the people of Hong Kong (for example, abandoning the government proposal of separate voting and slightly increasing directly elected seats). We should also take a look at some Hong Kong draft committee members in the Guangzhou Legislative Assembly who expressed attitudes of greater conservatism and rejection of democracy than the Chinese Communists. That is to say, some of Hong Kong's middle-level capitalists really are rather conservative. To have class coordination in Hong Kong it will be hard to avoid delaying the pace of democratization. Since the Chinese Communists are slanted toward helping middle- and high-level capitalists, the pace of democratization will definitely be slow. According to the currently passed political institution draft, we must still continue to strive and criticize. Since it is inappropriate to adopt overly radical methods and head toward total antagonism, then we can neither attain the goals we are striving for nor be praised by the majority of residents because Hong Kong's overall development requires coordination.

No matter what, the political institutions of the Hong Kong Special Administrative Zone are more advanced than those of British colonies. The direction is toward gradually increasing democratization. As for attaining a balance of mutual conciliations for political institutions in the Sino-British negotiations, this is necessary in "Hong Kong-style politics" and any real politics. Without this realistic feeling, there are no advantages to Hong Kong's overall development, only disadvantages! The present "Basic Law" political institution draft is not at all ideal, but it can be accepted given Hong Kong's present environment. In the future we definitely must continue to strive for gradual further democracy. At the same time we must also strive for closer overall multi-faceted coordination of currently existing Hong Kong.

#### Drafter Discusses Basic Law's Economic Provisions

90CM0024A Hong Kong TA KUNG PAO  
in Chinese 24 Feb 90 p 7

[Article by Weng Hui-ling (5040 1920 3781) and Ch'en P'ei-sheng (7115 1014 4563)]

[Text] It is important that Hong Kong's capitalist system be allowed to continue and the existing economic freedoms maintained in order to embody the spirit of "one country, two systems" in the Basic Law. In response to questions posed during an interview, Yung Lung-kui [0516 7893 2710], convener of the Economic Group of the Basic Law Draft Committee, said he believes that the

economic articles of the draft provide stipulations of the correct nature for Hong Kong's future economic development.

Old Yung's friendship with TA KUNG PAO goes back more than 40 years. He happily answered our questions in the midst of a busy schedule. He mentioned his opinions of the economic articles in the actual (Draft) Basic Law. Yung Lung-kui feels that the three most attention-getting and discussed of the articles under consultation, those regarding levying taxes, fiscal accounting, and low-tax policies, are significant. Article 106 provides that the Hong Kong Special Administrative Zone shall maintain fiscal independence and that the central people's government shall not levy taxes in Hong Kong. The fiscal income of the Hong Kong Special Administrative Zone shall be used in its entirety for its own needs; none shall be turned over to the central people's government. He feels that, given the great disparity in incomes between citizens of China and residents of Hong Kong, such a stipulation given by the Central Committee is favorable treatment toward the residents of the Hong Kong Special Administrative Zone.

#### Three Ideas

As for Article 107 regarding the principle of "as much goes out as comes in" as a fiscal accounting measure, and Article 108 regarding the low-tax policy, he noted three ideas:

1. He emphasized that these two articles are not a new policy but rather a continuation of current policies. He agrees with what Chai K'e-ch'eng [5049 0344 6134], currently in the Financial Affairs Office, said in his first published speech upon assuming office, who emphasized that Hong Kong's fiscal policies cannot be quickly altered. Continuity is required because, if policies change often, it will have a detrimental effect on the economy.
2. He believes that these two articles embody correct principles of fiscal policy. The core of Article 107 is the hope that Hong Kong will hereafter have no long-term fiscal deficit, and that the future Hong Kong Government will not [have to] adopt long-term deficit fiscal accounting policies. This article does not require fiscal year-based balancing. Rather, it strives to attain balanced revenue and expenditure and avoid deficits. It is realistic if there is a fiscal surplus in one year and a deficit in another. Looking back over the past 20 years, 16 of those years showed surpluses and only four showed deficits. Reckoning accounts on a five-year basis always showed a surplus. Through the end of March 1990, Hong Kong's accumulated fiscal surplus amounts to HK\$80 billion [Hong Kong dollars]. He feels that this is the manifestation of a healthy fiscal base.

3. Article 108 provides that adoption of a low-tax policy can self-regulate heavy taxation, tax rates, and tax revenue graces and holidays. He noted that the Basic Law permits Hong Kong to determine taxation itself, thereby

allowing it to be self-regulated. However, comparatively speaking, overall taxation rates must be relatively low. Because if Hong Kong maintains the present lowest tax rates compared to the rest of the world, this is advantageous to attracting foreign capital and new investment. He gave the example that Singapore has an Asian dollar market. Its daily volume of business is about the same as Hong Kong's, although Singapore's tax rate is somewhat higher. As a result, Singapore's surplus capital naturally flows into Hong Kong, causing the phenomenon that Hong Kong has a greater lending than savings volume, which is beneficial to Hong Kong. He stressed that a low tax rate is another important factor besides this advantage of attracting foreign capital.

#### Active Use

Although in the past some people made repeated studies of Articles 107 and 108 and expressed disagreement, Yung Lung-kui believes that this is a matter of "different people have different views [literally: the benevolent see benevolence, and the wise see wisdom]." He says that these two articles were written with enough principle and flexibility to suit Hong Kong's actual situation. Flexibility can be maintained during implementation. Moreover, they play a very clear positive role in Hong Kong's economic prosperity.

With regard to how the economic articles embody the guiding principles and policies that China stated in the Sino-British Joint Declaration will be implemented in Hong Kong, Yung Lung-kui said that, based on these basic guiding principles, the Economic Group proposed some fundamental stipulations for Articles 5 and 6 of the Basic Law. Article 5 states "the Hong Kong Special Administrative Zone shall not practice a socialist system or policies. It shall maintain the existing capitalist system and lifestyle practices for 50 years without alteration." The first sentence of this article is absent from the Joint Declaration; it was added to increase the confidence of Hong Kong residents. In the future, the Hong Kong Special Administrative Zone must earnestly put this principle into practice based on this legal article or stipulate a corresponding law.

He noted that the general rules of Article 6 are also important. It provides "the Hong Kong Special Administrative Zone shall protect the right to private property in accordance with the law." The right to private property is central to capitalism. It definitely must be protected according to law. The content of this article was also absent from the Sino-British Joint Declaration. There was unanimous approval to add this article after discussion in the Economic Group. As for how to protect the right to private property, Clause 5 of Article 105 concretely provides that, "in accordance with the law, the Hong Kong Special Administrative Zone shall protect the right of individuals and legal entities to obtain, use, dispose of, and maintain private property, as well as in accordance with the law the right of owners to compensation for commandeered private property and property of legal entities at the time it is taken over."

"Compensation for commandeered property should correspond to the contemporary actual value of said property that can be freely exchanged, and payment shall not be delayed without cause..." He believes that the general principles of Articles 5 and 6, and Clause 5 of Article 105 make for a full legal guarantee of the right to private property. This is better than that proposed in the Sino-British Joint Declaration.

#### Four Pillars Coordinate Development

Hong Kong's ability to maintain long-term stable prosperity is the joint desire of the inland and Hong Kong. Yung Lung-kui said that, comparatively speaking, Hong Kong's annual economic development growth rate is relatively high. Per capita local total output value is also quite high. Yung hopes that in the future people in commerical, industrial, and financial circles will act positively to make Hong Kong's economy develop further. He noted that Hong Kong has its own historical factors as well as peculiar advantages, emphasizing that for Hong Kong's trade to further develop, its industries must be strengthened to make a further developed export trade base. Likewise, the three or four pillars of the economy (that is, export trade, financial center, tourism, and real estate that some consider to be a major pillar) must have coordinated development. Only in this way can Hong Kong's economy develop the most.

Therefore the Economic Group considered Hong Kong's overall economic development to make the future Hong Kong economy function better. Yung Lung-kui indicated that the articles in the economic sections are interdependent. For example, in Article 118 "it is stated that the government of the Hong Kong Special Administrative Zone shall provide an economic and legal environment to encourage various forms of investment, advanced technology, and develop new industries." Although this article is absent from the Joint Declaration, these articles are of long-term significance to further enhance Hong Kong's economic base. Regarding ensuring that Hong Kong's financial markets function well, Articles 109 and 110 concretely state so, including that the future special zone's government shall provide an appropriate economic and legal environment to ensure Hong Kong's position as an international financial center. Moreover, regarding further trade development, it is concretely embodied in the articles. For example, Article 114, the Hong Kong Special Administrative Zone shall maintain its status as a free port; Article 115, the Hong Kong Special Administrative Zone shall practice free trade policies to ensure the free flow of transported goods, intangible property, and capital; Article 116, further emphasizes that the Hong Kong Special Administrative Zone shall be an independent taxation zone. In the future Hong Kong can participate in certain international organizations and enjoy various preferential treatment. Therefore, considered from the overall situation in Hong Kong, these legal articles provided the direction for stipulations to make Hong Kong develop further and allow its economy to move in a healthy direction.

**Blaze New Trails in Cooperation**

At the end, Yung Lung-kui mentioned his appraisal of the economic articles in the present (Draft) Basic Law. He feels that the articles of this section are the outcome of a collective effort. Many people made their own contributions. At present the most important thing is that both sides work hard under the premise of "one country, two systems" in order to expand economy, trade, technological, cultural, educational, and other types of exchanges to create new forms of cooperation.

He said that Hong Kong is one of the Far East's four developed areas. As we enter the 1990's facing changes in the economic and political areas of Southeast Asia, the Pacific, Europe, and the Americas, Hong Kong must make new studies and efforts to explore how to develop external trade, remain an important international financial center, develop other relevant industries, and enhance competitiveness.

**Discussion of Qualities Needed by SAR Chief Executive**

90CM0037A Hong Kong MING PAO  
in Chinese 28 Feb 90 p 28

[Article by Kan Ming (2413 7686): "Qualifications of the Hong Kong Special Administrative Region's First Chief Executive"]

[Text] I recommended in a 1988 article in MING PAO that Yang T'ieliang [2799 6993 2856], who is currently Hong Kong's chief justice, be made the first chief executive of the Hong Kong Special Administrative Region (SAR) after Hong Kong reverts to Chinese rule in 1997. Although I wrote the article in fun, my recommendation was absolutely not out of line. I probably recommended Yang T'ieliang because I thought that the first chief executive of the Hong Kong SAR should have the following six qualifications: He must be acceptable to Hong Kong residents, but be approved by Beijing; he should have mastered both Chinese and Western knowledge, but have a Chinese cultural background; she should have an understanding of Hong Kong's system of organization, but not have been completely educated in British Hong Kong; and he must be neither a yes-man nor a radical; he should be independent, unbiased, and without political favoritism; and neither too young nor over 70 years of age.

**The Six Qualifications of the Hong Kong SAR's First Chief Executive**

After scrutinizing my 17 October 1988 article in MING PAO entitled "Where Will the Hong Kong SAR Look for Its First Chief Executive?", I am certain that my recommendation is still not out of line. Although Yang T'ieliang's future political intentions are unclear because he has taken a very low-key approach to Hong Kong political issues since he resigned his position as deputy director of the Basic Law Advisory Committee, and he probably feels that it is inappropriate for him to express

his views very much due to his position limitations, my limited contacts with Mr. Yang and my appraisal of his qualifications still make him my first choice for the first chief executive of the Hong Kong SAR.

Since the Beijing massacre on 4 June 1989, PRC-Hong Kong relations have deteriorated and Beijing has taken a more hardline approach to its choice of personnel to run Hong Kong. Although there is said to be no lack of candidates for the high office of chief executive, and any "dark horse" might win if the "rules of the game" are violated and too much value is placed on persistently pandering to Beijing's views, I think that "noncompliance with the rules of the game" is only a temporary phenomenon, and that everything will basically return to normal in the seven years before Hong Kong reverts to Chinese rule. Just look at how impossible it has been for Beijing to act willfully without considering Hong Kong residents' views in the current case of the revised Basic Law (Draft). Moreover, since the first chief executive will not only be under the control of Beijing, but also in charge of 6 million Hong Kong residents, completely disregarding their will in choosing him would actually not only preclude the normal functioning of Hong Kong's political system, but also damage its international prestige. Thus, absolute discretion must be used in choosing the one to be put in charge of Hong Kong's overall situation.

I think that it will be absolutely essential to consider the above six qualifications when choosing the first chief executive of the Hong Kong SAR. Some people think that persistently pandering to the proclivities of the current Beijing authorities will make for a glorious future, while hardly realizing that the decisive factor is still the acceptance of Hong Kong's people. Even though the Beijing authorities will naturally be unable to choose a chief executive who would be either sharply criticized by a majority of Hong Kong people or 100-percent acceptable to them, the chief executive will be a key figure in their plans to govern Hong Kong effectively, and not even the most senile of them could find anyone to take the position who would have no prestige or feel as if he were hanging on tenterhooks.

**Hong Kong's Ultimate Source of Power Is Beijing**

The Beijing authorities and Hong Kong residents both hope that the national consciousness of the Hong Kong Chinese can be brought into full play after Hong Kong becomes part of China again in 1997. If the Hong Kong SAR's chief executive is not proficient in Chinese, it will be very hard for him to communicate. As some Hong Kong residents were "foreign-educated" and spent their high school years abroad, it is understandable that their Chinese is not too good. If their deficiency in Chinese is not remedied in the next seven years, it will be very hard for them to take part in future political affairs. Is it not well known that even studying standard Mandarin Chinese pronunciation is in fashion now?

The impatience for political success and present storm of political struggle are also very harmful to Hong Kong's cause. Some people are wrong in thinking that they can acquire bargaining chips by forming political factions, building up political strength, and seeking political advantage and power. Hong Kong is not an independent country and cannot be patterned after the Western system of political parties. As Hong Kong's ultimate source of power is Beijing, setting up its own "army" would be asking for trouble. Moreover, thinking that someone could become chief executive and win out over Beijing by only a slim majority with a coalition of opposition political parties, is a complete misunderstanding of the subtleties of Chinese politics. As Beijing is certain to demand a middle-of-the-roader for the sensitive position of chief executive in order to balance all political forces, those political figures who aspire to the office should think twice about the chances that their current campaign to "fight to the finish" by establishing "footholds" in Hong Kong, could possibly find favor in Beijing.

#### **Wang Kengwu Is Another Ideal Candidate for the First Chief Executive of the Hong Kong SAR**

Wang Kengwu [3769 6342 2976], currently president of Hong Kong University, is another person whom I would like to recommend here as a good candidate to be first chief executive of the Hong Kong SAR.

**Why is President Wang a good candidate for first chief executive?**

President Wang has won pretty good praise since he took office at Hong Kong University. In addition to winning high marks from Hong Kong University professors and students for his scholarly bearing, mastery of both Chinese and Western knowledge, and tactful political views, he has also left a good impression on society.

As President Wang studied at China Central University, Nanjing, his background in Chinese culture, as Yang

T'eliang's, gives him the makings of a Chinese intellectual who is not too Westernized, which is another key qualification for first chief executive.

Wang Kengwu holds a distinguished position as the person in charge of Hong Kong's most prestigious university. As Hong Kong University graduates are now, and will be in the future, the key to the Hong Kong Government's system of organization, his close academic ties to them and his Mainland China academic background would be very useful in helping him to manage the overall situation.

Although Wang Kengwu is not part of the Hong Kong Government's current system of organization, his recent appointment to take part in executive bureau affairs has given him the chance to participate in executive operations at the highest level, and naturally been a link in paving the way for his future participation in government.

Because President Wang was just reappointed to a five-year term as president of Hong Kong University, he will probably be 64 or 65 years old when he retires in 1995, and 66 or 67 in 1997, which is the most appropriate age for a chief executive (according to Chinese standards).

Although Wang Kengwu generally has all of the above-mentioned six qualifications for the first chief executive of the Hong Kong SAR, his only limitation is that by 1997 he will not yet have lived in Hong Kong for 20 consecutive years.

Although Hong Kong University President Wang Kengwu will probably not be made the first chief executive of the Hong Kong SAR because of this limitation, recommending him for the post was certainly not the main reason why I wrote this article. The only reason I wrote about Yang T'eliang and Wang Kengwu was to provide two possible candidates for the position, and to make anyone who would aspire to the office of first chief executive think twice about what he must do to cultivate his character, in order to truly be able to join the ranks of candidates for first chief executive of the Hong Kong SAR.

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